

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

**UNAUDITED INTERIM CONDENSED**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'**  
**LIMITED REVIEW REPORT**

**FOR THE NINE MONTH PERIOD ENDED**  
**30 SEPTEMBER 2014**

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

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UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

<b>INDEX</b>	<b>PAGE</b>
Independent auditors' limited review report	1
Interim statement of financial position	2 – 3
Interim statement of insurance income	4
Interim statement of shareholders' comprehensive income	5
Interim statement of changes in shareholders' equity	6
Interim statement of insurance operations' cash flows	7
Interim statement of shareholders' cash flows	8
Notes to the interim condensed financial statements	9 – 21



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

**SCOPE OF REVIEW:**

We have reviewed the accompanying interim statement of financial position of Saudi Arabian Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 September 2014 and the related interim statements of insurance income and shareholders' comprehensive income for the three-month and nine-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the nine-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, 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.

**EMPHASES OF MATTERS:**

We draw attention to the following:


- 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.
- Note 11 to these interim condensed financial statements discloses the Company's Board of Directors recommendation in their meeting held on 23 June 2014 to increase the authorized share capital from Saudi Riyals 100 million to Saudi Riyals 250 million through a rights issue of Saudi Riyals 150 million. The Company's application to the Capital Market Authority (CMA) for approval of the Rights Issue Prospectus has been made and is currently under review by the CMA.

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28 Dhual Hijja, 1435 H  
(22 October 2014)

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)  
INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2014

		30 September 2014 (Unaudited) SR	31 December 2013 (Audited) SR
	Notes		
<b>INSURANCE OPERATIONS' ASSETS</b>			
Property and equipment, net		7,044,963	7,791,588
Due from shareholders' operations		-	8,831,970
Reinsurers' share of outstanding claims		340,192,852	265,096,871
Reinsurers' share of unearned premiums		84,963,512	67,085,081
Deferred policy acquisition costs		25,790,298	21,489,351
Premiums and reinsurance balances receivable	7	174,866,059	107,482,046
Available for sale investment	8	1,923,080	1,923,080
Investment at fair value through profit or loss	8	45,000,000	-
Prepayments and other assets		11,541,967	7,608,009
Due from related parties	9	52,913,040	51,803,212
Time deposits	6	125,000,000	82,000,000
Cash and cash equivalents	5	84,845,741	95,744,470
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>954,081,512</b>	<b>716,855,678</b>
<b>SHAREHOLDERS' ASSETS</b>			
Statutory deposit		10,000,000	10,000,000
Due from insurance operations		8,883,374	-
Prepayments and other assets		2,380,174	1,243,094
Time deposits	6	47,940,000	31,100,000
Cash and cash equivalents	5	1,731,471	20,513,348
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>70,935,019</b>	<b>62,856,442</b>
<b>TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS</b>		<b>1,025,016,531</b>	<b>779,712,120</b>

  
ABDULAZIZ A. ABUSSUUD  
BOARD MEMBER

  
MOHAN VARGHESE  
CHIEF FINANCIAL OFFICER

  
HASSAN ABDULLA DORAR ALI  
PRESIDENT & CEO


The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.



Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)  
AS AT 30 SEPTEMBER 2014

	Note	30 September 2014 (Unaudited) SR	31 December 2013 (Audited) SR
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Employees' end-of-service benefits		6,964,790	6,755,639
Insurance operations' surplus distribution payable		1,900,554	1,900,554
Due to shareholders' operations		8,883,374	-
Gross outstanding claims		486,757,191	397,826,663
Gross unearned premiums		347,613,000	219,475,708
Unearned commission income		18,117,687	18,161,317
Reinsurance balances payable		49,466,101	37,921,002
Accrued expenses and other liabilities		32,349,524	34,814,795
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>952,052,221</b>	<b>716,855,678</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Net surplus from insurance operations after shareholders' appropriation		2,029,291	-
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES &amp; SURPLUS</b>		<b>954,081,512</b>	<b>716,855,678</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Due to insurance operations		-	8,831,970
Provision for zakat		1,448,192	1,426,951
Accounts payable		1,478,717	859,385
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>2,926,909</b>	<b>11,118,306</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	100,000,000	100,000,000
Accumulated losses		(31,991,890)	(48,261,864)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>68,008,110</b>	<b>51,738,136</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>70,935,019</b>	<b>62,856,442</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,025,016,531</b>	<b>779,712,120</b>

  
ABDULAZIZ A. ABUSSUUD  
BOARD MEMBER

  
MOHAN VARGHESE  
CHIEF FINANCIAL OFFICER

  
HASSAN ABDULLA DORAR ALI  
PRESIDENT & CEO


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Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE INCOME  
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

	Note	Three month period ended 30 September 2014 (Unaudited) SR	Three month period ended 30 September 2013 (Unaudited) SR	Nine month period ended 30 September 2014 (Unaudited) SR	Nine month period ended 30 September 2013 (Unaudited) SR
<b>REVENUE</b>					
Gross written premiums		224,596,914	133,393,413	646,673,838	517,183,015
Reinsurance premiums ceded		(39,850,411)	(31,860,329)	(190,622,334)	(195,095,155)
Excess of loss / stop loss premiums		(19,639,031)	(3,912,910)	(28,252,653)	(13,115,035)
<b>NET WRITTEN PREMIUMS</b>		165,107,472	97,620,174	427,798,851	308,972,825
Movement in unearned premiums, net		(56,420,397)	(2,394,360)	(110,258,866)	(48,912,402)
<b>NET EARNED PREMIUMS</b>		108,687,075	95,225,814	317,539,985	260,060,423
Commission income		11,177,143	11,788,799	32,150,134	45,287,915
Other income		378,068	340,103	4,370,749	1,489,036
Special commission income		288,975	160,247	838,073	499,369
<b>TOTAL INSURANCE REVENUES</b>		120,531,261	107,514,963	354,898,941	307,336,743
<b>COST AND EXPENSES</b>					
Gross claims paid		110,267,418	64,756,902	296,004,448	266,546,682
Reinsurers' share of claims paid		(30,394,054)	(11,866,517)	(68,319,503)	(79,400,637)
<b>NET CLAIMS PAID</b>		79,873,364	52,890,385	227,684,945	187,146,045
Movement in outstanding claims, net		(4,598,360)	30,140,282	13,834,550	40,425,777
<b>NET CLAIMS INCURRED</b>		75,275,004	83,030,667	241,519,495	227,571,822
Policy acquisition costs		15,370,359	14,040,219	43,377,257	42,249,830
General and administration expenses		14,904,788	17,765,800	44,076,112	53,245,471
Provision for doubtful receivables	7	1,532,052	1,178,726	(73,285)	(2,642,712)
Inspection and supervision fees		2,175,589	1,381,588	5,706,454	4,298,535
<b>TOTAL COSTS AND EXPENSES</b>		109,257,792	117,397,000	334,606,033	324,722,946
<b>NET SURPLUS / (DEFICIT) FOR THE PERIOD FROM INSURANCE OPERATIONS</b>		11,273,469	(9,882,037)	20,292,908	(17,386,203)
Shareholders' appropriation from (surplus) / deficit		(10,146,122)	9,882,037	(18,263,617)	17,386,203
Net surplus for the period from insurance operations after shareholders' appropriation		1,127,347	-	2,029,291	-

  
**MOHAN VARGHESE**  
CHIEF FINANCIAL OFFICER

  
**ABDULAZIZ A. ABUSSUUD**  
BOARD MEMBER

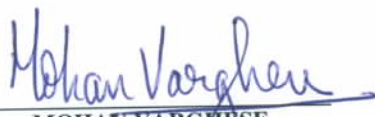
  
**HASSAN ABDULLA DORAR ALI**  
PRESIDENT & CEO

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Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME  
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

	<i>Three month period ended 30 September 2014 (Unaudited) Note SR</i>	<i>Three month Period ended 30 September 2013 (Unaudited) SR</i>	<i>Nine month Period ended 30 September 2014 (Unaudited) SR</i>	<i>Nine month period ended 30 September 2013 (Unaudited) SR</i>
Appropriation of surplus / (deficit) from insurance operations	10,146,122	(9,882,037)	18,263,617	(17,386,203)
Special commission income	73,972	155,899	270,715	479,466
General and administration expenses	(322,221)	(60,320)	(877,285)	(352,327)
<b>INCOME / (LOSS) BEFORE ZAKAT</b>	<b>9,897,873</b>	<b>(9,786,458)</b>	<b>17,657,047</b>	<b>(17,259,064)</b>
Zakat	(661,408)	(305,536)	(1,387,073)	(1,222,144)
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>	<b>9,236,465</b>	<b>(10,091,994)</b>	<b>16,269,974</b>	<b>(18,481,208)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Change in fair value of available for sale investment	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>9,236,465</b>	<b>(10,091,994)</b>	<b>16,269,974</b>	<b>(18,481,208)</b>
<b>EARNINGS / (LOSS) PER SHARE</b>				
Basic and diluted earnings / (loss) per share (in SR)	12 0.92	(1.01)	1.63	(1.85)
Weighted average number of shares in issue throughout the period (in thousands)	10,000	10,000	10,000	10,000

  
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Saudi Arabian Cooperative Insurance Company  
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Share Capital SR	Accumulated Losses SR	Total SR
<u>Unaudited</u>			
Balance as at 1 January 2013	100,000,000	(21,307,501)	78,692,499
Total comprehensive loss for the period	-	(18,481,208)	(18,481,208)
Balance as at 30 September 2013	100,000,000	(39,788,709)	60,211,291
<u>Unaudited</u>			
Balance as at 1 January 2014	100,000,000	(48,261,864)	51,738,136
Total comprehensive income for the period	-	16,269,974	16,269,974
Balance as at 30 September 2014	100,000,000	(31,991,890)	68,008,110

  
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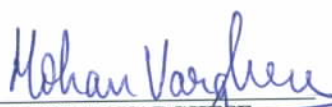
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Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Note	Nine month period ended 30 September 2014 (Unaudited) SR	Nine month period ended 30 September 2013 (Unaudited) SR
<b>OPERATING ACTIVITIES</b>			
Net surplus from insurance operations after shareholders' appropriation		2,029,291	-
Adjustments for:			
Depreciation		2,924,284	3,488,210
Reversal of provision for doubtful receivables		(73,285)	(2,642,712)
Employees' end-of-service benefits		1,250,554	1,761,002
Shareholders' appropriation from surplus / (deficit)		18,263,617	(17,386,203)
Income / (Loss) before changes in operating assets and liabilities		24,394,461	(14,779,703)
<b>Changes in operating assets and liabilities:</b>			
Reinsurers' share of outstanding claims		(75,095,981)	(42,737,010)
Reinsurers' share of unearned premiums		(17,878,431)	8,397,505
Deferred policy acquisition costs		(4,300,947)	(324,662)
Premiums and reinsurance balances receivable		(67,310,728)	(31,799,179)
Prepayments and other assets		(3,933,958)	(3,813,569)
Due from related parties		(1,109,828)	457,867
Gross outstanding claims		88,930,528	83,162,787
Gross unearned premiums		128,137,292	40,514,897
Unearned commission income		(43,630)	(1,888,719)
Due to a related party		-	(328,693)
Reinsurance balances payable		11,545,099	(33,841,902)
Accrued expenses and other liabilities		(2,465,271)	3,450,471
Employees' end-of-service benefits paid		(1,041,403)	(326,680)
Net cash from operating activities		79,827,203	6,143,410
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(2,177,659)	(4,679,703)
Purchase of available for sale investment		-	(1,923,080)
Purchase of investment at fair value through income statement		(45,000,000)	-
Time deposits, net		(43,000,000)	(1,942,769)
Net cash used in investing activities		(90,177,659)	(8,545,552)
<b>FINANCING ACTIVITY</b>			
Due to shareholders' operations, net		(548,273)	(4,133,242)
Net cash used in financing activity		(548,273)	(4,133,242)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		(10,898,729)	(6,535,384)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		95,744,470	42,370,837
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	84,845,741	35,835,453

  
MOHAN VARGHESE  
CHIEF FINANCIAL OFFICER

  
ABDULAZIZ A. ABUSSUUD  
BOARD MEMBER

  
HASSAN ABDULLA DORAR ALI  
PRESIDENT & CEO

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Note	Nine month period ended 30 September 2014 (Unaudited) SR	Nine month period ended 30 September 2013 (Unaudited) SR
<b>OPERATING ACTIVITIES</b>			
Income / (loss) before zakat		17,657,047	(17,259,064)
Adjustment for:			
Appropriation of (surplus) / deficit from insurance operations		(18,263,617)	17,386,203
(Loss) / Income before changes in operating assets and liabilities		(606,570)	127,139
<b>Changes in operating assets and liabilities:</b>			
Prepayments and other assets		(1,137,080)	(26,282)
Accounts payable		619,332	(855,294)
Cash used in operations		(1,124,318)	(754,437)
Zakat paid		(1,365,832)	(2,139,266)
Net cash used in operating activities		(2,490,150)	(2,893,703)
<b>INVESTING ACTIVITY</b>			
Time deposits, net		(16,840,000)	(842,356)
Net cash used in investing activity		(16,840,000)	(842,356)
<b>FINANCING ACTIVITY</b>			
Due from insurance operations, net		548,273	4,133,242
Net cash from financing activity		548,273	4,133,242
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		(18,781,877)	397,183
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		20,513,348	532,174
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	1,731,471	929,357



MOHAN VARGHESE  
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**Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)**

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)  
30 SEPTEMBER 2014**

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**1 ORGANISATION AND PRINCIPAL ACTIVITIES**

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010237214 dated 7 Shaban 1428H, (corresponding to 20 August 2007). The registered office address of the Company is P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange (Tadawul) on 3 September 2007.

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry ("MOCT") issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H (corresponding to 5 August 2007).

On 29 Shaban 1428H (corresponding to 11 September 2007), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business, thus authorising the Company to commence operations as soon as product approval and related formalities are completed.

**2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO**

In 2009, the Company entered into an Asset Purchase Agreement (the "Agreement") with Saudi Arabian Insurance Company B.S.C. (C), a shareholder, for the purchase of the insurance portfolio and related net assets of the Saudi Operations of the latter. The related assets and liabilities were to be determined and valued in accordance with the valuation program issued by the Saudi Arabian Monetary Agency ("SAMA"). The transfer of the portfolio was to take effect when all required legal formalities have been completed.

On 23 June 2014, the Saudi Arabian Insurance Company B.S.C. (C) informed the Company that they will not pursue the transfer of the insurance portfolio and related net assets of Saudi operations to the Company. Consequently, in the meeting held on 23 June 2014, the Board of Directors of the Company resolved to formalize the cancellation of the Agreement and agreed to commence with obtaining the necessary approvals from the Company's shareholders, SAMA and other regulatory authorities to proceed with all required legal formalities in respect of the cancellation of the said Agreement.

**3 BASIS OF PREPARATION**

The interim condensed financial statements for the nine month period ended 30 September 2014 have been prepared in accordance with International Accounting Standard – 34 "Interim Financial Reporting" (IAS – 34). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, i.e., in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

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 annual financial statements for the year ended 31 December 2013.

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



Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
30 SEPTEMBER 2014

**4 NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2013, except for the adoption of new standards and amendments to existing standards effective for the annual period beginning 1 January 2014.

The nature and the impact of each new standard/amendment is summarized as follows:

***Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities***

The amendments do not change the current offsetting model in IAS 32, which requires an entity to offset a financial asset and financial liability in the statement of financial position only when the entity currently has a legally enforceable right of set-off and intends either to settle the asset and liability on a net basis or to realize the asset and settle the liability simultaneously. The amendments clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.

***Amendments to IAS 36, 'Impairment of assets'***

The IASB has amended IAS 36 as follows:

- (a) to remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment;
- (b) to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- (c) to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

In addition to the above, the Company has chosen not to early adopt IFRS 9 (2010) – Financial instruments which will not be effective until January 1, 2018.

**5 CASH AND CASH EQUIVALENTS**

For the purpose of the interim statements of insurance operations' cash flows and shareholders' cash flows, cash and cash equivalents comprise of the following:

	30 September 2014 (Unaudited)		31 December 2013 (Audited)	
	Insurance Operations SR	Shareholders' Operations SR	Insurance Operations SR	Shareholders' Operations SR
Cash at banks	84,804,942	1,731,471	55,712,170	1,121,151
Cash in hand	40,799	-	32,300	-
Short term deposits	-	-	40,000,000	19,392,197
	<b>84,845,741</b>	<b>1,731,471</b>	<b>95,744,470</b>	<b>20,513,348</b>

Cash at banks are placed with counterparties who have investment grade credit ratings. The short-term deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three month depending on the immediate cash requirements of the Company.

The Company holds an amount of SR 9,348 (31 December 2013 – SR 1,485,227) in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly, such amount is not accounted for in these interim condensed financial statements.

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
30 SEPTEMBER 2014

**6 TIME DEPOSITS**

Time deposits represent deposits with local banks that have investment grade credit ratings and have an original maturity of more than three months from the date of acquisition.

**7 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE**

Insurance operations receivables are comprised of net amounts due from the following:

	<i>30 September 2014 (Unaudited) SR</i>	<i>31 December 2013 (Audited) SR</i>
Premiums receivable	<b>181,047,930</b>	114,900,530
Reinsurers and others	<b>8,664,220</b>	7,500,892
Total premiums and reinsurance balances receivable	<b>189,712,150</b>	122,401,422
Provision for doubtful receivables	<b>(14,846,091)</b>	(14,919,376)
	<b>174,866,059</b>	107,482,046

The movement in the provision for doubtful receivables is as follows:

	<i>30 September 2014 (Unaudited) SR</i>	<i>31 December 2013 (Audited) SR</i>
Beginning balance	<b>14,919,376</b>	17,462,377
Reversal made during the period / year	<b>(73,285)</b>	(2,543,001)
Ending balance	<b>14,846,091</b>	14,919,376

**8 INVESTMENTS**

**i. AVAILABLE FOR SALE INVESTMENT**

Available for sale investment comprises of SR 1,923,080 in respect of the Company's share in the capital of Najm for Insurance Services Company ("Najm") which represents a 3.85 % equity holding in Najm. In assessing the relationship of unobservable inputs to fair value, management considered the Company's long-term revenue growth rates. As at 30 September 2014, management believes that the carrying amount of the available for sale investment is a reasonable estimate of its fair value (Note 13).

**ii. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS**

During the period, the Company has placed an investment amounting to SR 45 million with Saudi Hollandi Capital (SHC) under a portfolio managed account based on agreed terms.

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
30 SEPTEMBER 2014

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, key management personnel of the Company and companies where they are principal owners and other entities significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

**a) Transactions with related parties**

The following are the details of major related parties transactions during the period:

<i>Related parties</i>	<i>Nature of transactions</i>	<i>Nine month period ended 30 September 2014 (Unaudited) SR</i>	<i>Nine month period ended 30 September 2013 (Unaudited) SR</i>
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Amounts received on behalf of SAICO B.S.C (C), net	<u>2,630,285</u>	<u>13,154,746</u>
ACE Insurance Agents Limited ("Agent") (Affiliate)	Premiums received through Agent	<u>13,270,743</u>	<u>21,031,660</u>
	Claims paid through Agent	<u>101,370</u>	<u>135,884</u>
	Commission expense	<u>1,806,253</u>	<u>2,871,058</u>
ACE Limited (Affiliate)	Premiums and claims, net	<u>(1,581,585)</u>	<u>784,148</u>
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Premiums received through Broker, net	<u>143,235,648</u>	<u>130,734,505</u>
	Commission expense	<u>15,213,761</u>	<u>14,056,284</u>
	Premiums ceded through Broker	<u>69,605,317</u>	<u>67,641,407</u>
	Commission received	<u>4,102,998</u>	<u>3,968,138</u>

**b) Balances with related parties**

The above transactions with the related parties resulted in the following balances as at the interim statement of financial position date:

<i>Due from related parties:</i>		<i>30 September 2014 (Unaudited) SR</i>	<i>31 December 2013 (Audited) SR</i>
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	Insurance operations	<u>40,470,264</u>	40,358,517
ACE Insurance Agents Limited ("Agent") (Affiliate)	Insurance operations	<u>10,531,003</u>	7,058,900
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	Insurance operations	<u>1,755,510</u>	4,385,795
ACE Limited ("Affiliate")	Insurance operations	<u>156,263</u>	-
		<u>52,913,040</u>	51,803,212

Outstanding balances at the interim financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment was made at the financial reporting date. This assessment is undertaken at the interim financial reporting date through examining the financial position of the related party and the market in which the related party operates.



Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

30 SEPTEMBER 2014

**9 RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

*c) Compensation of key management personnel*

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

	<i>Nine month period ended 30 September 2014 (Unaudited) SR</i>	<i>Nine month period ended 30 September 2013 (Unaudited) SR</i>
Short-term benefits	<b>4,193,596</b>	6,386,957
Employees' end-of-service benefits	<b>223,119</b>	583,730
Bonus	<b>-</b>	374,279
	<b>4,416,715</b>	7,344,966

**10 SEGMENT INFORMATION**

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 as stated below. Segment results do not include general and administration expenses, provision for doubtful receivables, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and insurance balances receivable, available for sale investment, investment at fair value through income statement, time deposits and cash and cash equivalents. Accordingly, they are included in unallocated assets.

Segment liabilities do not include insurance operations' due to shareholders' operations, due to related parties, employees' end-of-service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly, they are included in unallocated liabilities.

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

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

30 SEPTEMBER 2014

10 SEGMENT INFORMATION (continued)

Three month period ended  
30 September 2014 (Unaudited)

OPERATING SEGMENTS

REVENUE	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
Gross written premiums	105,332	71,859	5,019	16,695	5,853	3,838	11,338	4,663	224,597
Reinsurance premiums ceded	(501)	(36)	(3,882)	(15,621)	(5,370)	(2,107)	(10,406)	(1,927)	(39,850)
Excess of loss/stop loss premiums	(17,171)	(1,643)	(370)	(240)	(156)	(39)	-	(21)	(19,640)
<b>Net written premiums</b>	<b>87,660</b>	<b>70,180</b>	<b>767</b>	<b>834</b>	<b>327</b>	<b>1,692</b>	<b>932</b>	<b>2,715</b>	<b>165,107</b>
Movement in unearned premiums, net	(28,006)	(28,493)	384	(195)	461	(1)	(375)	(195)	(56,420)
<b>Net earned premiums</b>	<b>59,654</b>	<b>41,687</b>	<b>1,151</b>	<b>639</b>	<b>788</b>	<b>1,691</b>	<b>557</b>	<b>2,520</b>	<b>108,687</b>
Commission income	-	34	3,766	1,607	3,838	331	1,528	73	11,177
<b>Total allocated revenue</b>	<b>59,654</b>	<b>41,721</b>	<b>4,917</b>	<b>2,246</b>	<b>4,626</b>	<b>2,022</b>	<b>2,085</b>	<b>2,593</b>	<b>119,864</b>
Unallocated revenue									<b>667</b>
<b>Total revenue</b>									<b>120,531</b>
<b>COSTS AND EXPENSES</b>									
Gross claims paid	56,180	21,638	20,583	2,581	7,208	769	135	1,173	110,267
Reinsurers' share of claims Paid	(50)	(29)	(19,795)	(2,322)	(7,154)	(10)	(104)	(930)	(30,394)
<b>Net claims paid</b>	<b>56,130</b>	<b>21,609</b>	<b>788</b>	<b>259</b>	<b>54</b>	<b>759</b>	<b>31</b>	<b>243</b>	<b>79,873</b>
Movement in outstanding claims, net	(11,536)	4,338	649	(272)	1,853	(778)	490	658	(4,598)
<b>Net claims incurred</b>	<b>44,594</b>	<b>25,947</b>	<b>1,437</b>	<b>(13)</b>	<b>1,907</b>	<b>(19)</b>	<b>521</b>	<b>901</b>	<b>75,275</b>
Policy acquisition costs	3,713	4,990	2,279	995	2,061	354	349	629	15,370
<b>Total allocated costs and expenses</b>	<b>48,307</b>	<b>30,937</b>	<b>3,716</b>	<b>982</b>	<b>3,968</b>	<b>335</b>	<b>870</b>	<b>1,530</b>	<b>90,645</b>
Unallocated expenses									<b>18,613</b>
<b>Total costs and expenses</b>									<b>109,258</b>
<b>Net surplus from insurance operations</b>									<b>11,273</b>

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
30 SEPTEMBER 2014

10 SEGMENT INFORMATION (continued)

Three month period ended  
30 September 2013 (Unaudited)

OPERATING SEGMENTS

REVENUE	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
Gross written premiums	76,284	20,632	4,529	5,839	9,542	2,427	10,947	3,193	133,393
Reinsurance premiums ceded	(221)	(67)	(3,797)	(5,275)	(8,743)	(1,417)	(10,071)	(2,269)	(31,860)
Excess of loss premiums	(2,751)	(451)	(261)	(127)	(289)	(23)	-	(11)	(3,913)
<b>Net written premiums</b>	<b>73,312</b>	<b>20,114</b>	<b>471</b>	<b>437</b>	<b>510</b>	<b>987</b>	<b>876</b>	<b>913</b>	<b>97,620</b>
Movement in unearned premiums, net	(13,415)	9,174	1,221	43	(212)	736	(282)	341	(2,394)
<b>Net earned premiums</b>	<b>59,897</b>	<b>29,288</b>	<b>1,692</b>	<b>480</b>	<b>298</b>	<b>1,723</b>	<b>594</b>	<b>1,254</b>	<b>95,226</b>
Commission income	207	49	4,383	1,804	2,408	395	1,531	1,012	11,789
<b>Total allocated revenue</b>	<b>60,104</b>	<b>29,337</b>	<b>6,075</b>	<b>2,284</b>	<b>2,706</b>	<b>2,118</b>	<b>2,125</b>	<b>2,266</b>	<b>107,015</b>
Unallocated revenue									500
<b>Total revenue</b>									<b>107,515</b>
<b>COSTS AND EXPENSES</b>									
Gross claims paid	38,645	18,759	401	603	5,261	6	495	587	64,757
Reinsurers' share of claims Paid	(5,172)	(1)	(352)	(546)	(5,057)	-	(324)	(415)	(11,867)
<b>Net claims paid</b>	<b>33,473</b>	<b>18,758</b>	<b>49</b>	<b>57</b>	<b>204</b>	<b>6</b>	<b>171</b>	<b>172</b>	<b>52,890</b>
Movement in outstanding claims, net	24,822	1,253	4,511	(266)	(23)	(10)	17	(164)	30,140
<b>Net claims incurred</b>	<b>58,295</b>	<b>20,011</b>	<b>4,560</b>	<b>(209)</b>	<b>181</b>	<b>(4)</b>	<b>188</b>	<b>8</b>	<b>83,030</b>
Policy acquisition costs	3,877	3,984	2,923	737	1,270	440	355	454	14,040
<b>Total allocated costs and expenses</b>	<b>62,172</b>	<b>23,995</b>	<b>7,483</b>	<b>528</b>	<b>1,451</b>	<b>436</b>	<b>543</b>	<b>462</b>	<b>97,070</b>
Unallocated expenses									20,327
<b>Total costs and expenses</b>									<b>117,397</b>
<b>Net deficit from insurance Operations</b>									<b>(9,882)</b>



Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
30 SEPTEMBER 2014

10 SEGMENT INFORMATION (continued)

Nine month period ended  
30 September 2014 (Unaudited)

OPERATING SEGMENTS

REVENUE	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
Gross written premiums	272,313	159,820	105,282	31,988	29,391	11,644	22,795	13,441	646,674
Reinsurance premiums ceded	(1,076)	(447)	(100,200)	(29,232)	(27,739)	(5,420)	(20,839)	(5,669)	(190,622)
Excess of loss premiums	(21,263)	(3,572)	(1,887)	(729)	(584)	(140)	-	(78)	(28,253)
Net written premiums	249,974	155,801	3,195	2,027	1,068	6,084	1,956	7,694	427,799
Movement in unearned premiums, net	(53,749)	(52,984)	(826)	(406)	374	(1,288)	(377)	(1,003)	(110,259)
Net earned premiums	196,225	102,817	2,369	1,621	1,442	4,796	1,579	6,691	317,540
Commission income	25	113	10,845	6,312	8,058	1,510	4,310	977	32,150
Total allocated revenue	196,250	102,930	13,214	7,933	9,500	6,306	5,889	7,668	349,690
Unallocated revenue									5,209
Total revenue									354,899
COSTS AND EXPENSES									
Gross claims paid	161,777	64,246	46,104	5,296	12,854	914	1,249	3,564	296,004
Reinsurers' share of claims paid	(1,675)	(1,772)	(44,218)	(4,739)	(12,556)	(37)	(742)	(2,580)	(68,319)
Net claims paid	160,102	62,474	1,886	557	298	877	507	984	227,685
Movement in outstanding claims, net	869	5,527	2,661	501	2,165	534	693	884	13,834
Net claims incurred	160,971	68,001	4,547	1,058	2,463	1,411	1,200	1,868	241,519
Policy acquisition cost	11,521	13,152	7,469	2,777	4,165	1,634	889	1,770	43,377
Total allocated costs and expenses	172,492	81,153	12,016	3,835	6,628	3,045	2,089	3,638	284,896
Unallocated expenses									
Total costs and expenses									49,710
Net surplus from insurance operations									334,606
									20,293

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
30 SEPTEMBER 2014

10 SEGMENT INFORMATION (continued)

Nine month period  
ended 30 September 2013 (Unaudited)

OPERATING SEGMENTS

REVENUE	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
Gross written premiums	212,501	93,255	107,113	21,035	28,222	10,471	32,130	12,456	517,183
Reinsurance premiums ceded	(3,820)	(524)	(101,467)	(18,816)	(26,636)	(5,781)	(30,109)	(7,942)	(195,095)
Excess of loss premiums	(8,190)	(2,007)	(1,552)	(617)	(575)	(104)	-	(70)	(13,115)
<b>Net written premiums</b>	<b>200,491</b>	<b>90,724</b>	<b>4,094</b>	<b>1,602</b>	<b>1,011</b>	<b>4,586</b>	<b>2,021</b>	<b>4,444</b>	<b>308,973</b>
Movement in unearned premiums, net	(40,451)	(8,143)	(187)	189	(51)	308	(459)	(118)	(48,912)
<b>Net earned premiums</b>	<b>160,040</b>	<b>82,581</b>	<b>3,907</b>	<b>1,791</b>	<b>960</b>	<b>4,894</b>	<b>1,562</b>	<b>4,326</b>	<b>260,061</b>
Commission income	7,143	148	13,069	7,431	8,495	1,072	4,669	3,261	45,288
<b>Total allocated revenue</b>	<b>167,183</b>	<b>82,729</b>	<b>16,976</b>	<b>9,222</b>	<b>9,455</b>	<b>5,966</b>	<b>6,231</b>	<b>7,587</b>	<b>305,349</b>

Unallocated revenue	1,988
<b>Total revenue</b>	<b>307,337</b>

COSTS AND EXPENSES

Gross claims paid	138,792	63,774	48,133	5,144	7,494	12	1,091	2,107	266,547
Reinsurers' share of claims paid	(23,915)	298	(41,931)	(4,531)	(6,956)	28	(780)	(1,614)	(79,401)
<b>Net claims paid</b>	<b>114,877</b>	<b>64,072</b>	<b>6,202</b>	<b>613</b>	<b>538</b>	<b>40</b>	<b>311</b>	<b>493</b>	<b>187,146</b>
Movement in outstanding claims, net	39,017	393	268	228	66	(39)	641	(148)	40,426
<b>Net claims incurred</b>	<b>153,894</b>	<b>64,465</b>	<b>6,470</b>	<b>841</b>	<b>604</b>	<b>1</b>	<b>952</b>	<b>345</b>	<b>227,572</b>
Policy acquisition cost	11,972	11,380	8,598	2,821	3,693	1,258	922	1,606	42,250
<b>Total allocated costs and expenses</b>	<b>165,866</b>	<b>75,845</b>	<b>15,068</b>	<b>3,662</b>	<b>4,297</b>	<b>1,259</b>	<b>1,874</b>	<b>1,951</b>	<b>269,822</b>

Unallocated expenses

**Total costs and expenses**

**Net deficit from insurance operations**

54,901
324,723
(17,386)

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
30 SEPTEMBER 2014

10 SEGMENT INFORMATION (Continued)

As at 30 September 2014 (Unaudited)									
	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
OPERATING SEGMENTS									
ASSETS									
Reinsurers' share of outstanding claims	80	1,921	88,429	58,925	59,498	701	128,518	2,121	340,193
Reinsurers' share of unearned premiums	-	217	31,467	12,936	24,048	3,116	11,875	1,305	84,964
Deferred policy acquisition costs	7,011	9,610	2,717	1,338	3,484	781	428	421	25,790
SEGMENT ASSETS	7,091	11,748	122,613	73,199	87,030	4,598	140,821	3,847	450,947
Unallocated assets									503,135
TOTAL ASSETS									954,082
LIABILITIES									
Gross outstanding claims	92,410	31,944	100,971	62,042	63,034	1,448	131,029	3,879	486,757
Gross unearned premium	150,872	99,646	33,828	14,007	25,595	7,176	12,966	3,523	347,613
Unearned commission income	-	63	4,670	3,343	6,506	640	2,795	101	18,118
SEGMENT LIABILITIES	243,282	131,653	139,469	79,392	95,135	9,264	146,790	7,503	852,488
Unallocated liabilities									101,594
TOTAL LIABILITIES									954,082

Unallocated assets at 30 September 2014 consist mainly of premiums and reinsurance receivables of SR 174.9 million, due from related parties of SR 52.9 million, cash and cash equivalents of SR 84.8 million, time deposit of SR 125 million and other assets of SR 65.6 million.



Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)  
30 SEPTEMBER 2014

10 SEGMENT INFORMATION (Continued)

As at 31 December 2013 (Audited)

OPERATING SEGMENTS	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	General accident SR'000	Others SR'000	Total SR'000
<b>ASSETS</b>									
Reinsurers' share of outstanding claims	1,766	2,900	120,248	20,861	36,293	845	80,922	1,262	265,097
Reinsurers' share of unearned premiums	-	164	14,010	7,410	32,894	2,811	8,830	966	67,085
Deferred policy acquisition costs	5,966	6,055	2,155	861	4,636	1,231	246	339	21,489
<b>SEGMENT ASSETS</b>	<u>7,732</u>	<u>9,119</u>	<u>136,413</u>	<u>29,132</u>	<u>73,823</u>	<u>4,887</u>	<u>89,998</u>	<u>2,567</u>	<u>353,671</u>
Unallocated assets									<u>363,185</u>
<b>TOTAL ASSETS</b>									<u>716,856</u>
<b>LIABILITIES</b>									
Gross outstanding claims	93,227	27,393	130,129	23,496	37,656	1,058	82,727	2,141	397,827
Gross unearned premium	97,124	46,609	15,546	8,075	34,815	5,583	9,543	2,181	219,476
Unearned commission income	-	46	3,277	1,904	8,772	1,252	2,433	477	18,161
<b>SEGMENT LIABILITIES</b>	<u>190,351</u>	<u>74,048</u>	<u>148,952</u>	<u>33,475</u>	<u>81,243</u>	<u>7,893</u>	<u>94,703</u>	<u>4,799</u>	<u>635,464</u>
Unallocated liabilities									<u>81,392</u>
<b>TOTAL LIABILITIES</b>									<u>716,856</u>

Unallocated assets at 31 December 2013 consists mainly of premiums and reinsurance receivables of SR 107.5 million, due from related parties of SR 51.8 million, cash and cash equivalents of SR 95.7 million, time deposit of SR 82 million and other assets of SR 26.2 million.

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
30 SEPTEMBER 2014

**11 SHARE CAPITAL**

The authorised, issued and paid up share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each (31 December 2013: SR 100 million divided into 10 million shares of SR 10 each). The founding shareholders of the Company have subscribed and paid for 6 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's capital and the remaining 4 million shares with a nominal value of SR 10 each have been subscribed by the public.

The Company's Board of Directors recommended in their meeting held on 23 June 2014 (corresponding to 25 Shaaban 1435 H) to increase the authorized share capital of the Company from SR 100 million to SR 250 million through a rights issue of SR 150 million.

On 31 August 2014, (Corresponding to 5 Dhual Qa'dah, 1435H), the Company has submitted its application for the approval of Rights Issue Prospectus to the Capital Market Authority ("CMA"), which is currently under review by CMA.

**12 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE**

Basic and diluted earnings / (loss) per share for the period have been calculated by dividing the total comprehensive income / (loss) for the period by the weighted average number of shares in issue throughout the period of 10 million shares.

**13 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 in the principal (or the most advantageous) market between market participants at the measurement date, under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of the Company's recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements.

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities,
- Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable), and
- Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

During the nine month period ended 30 September 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table summarizes the financial assets recorded at fair value by level of the fair value hierarchy.

At 30 September 2014 and 31 December 2013	Level 1	Level 2	Level 3	Total
Investment at fair value through profit or loss	45,000,000	-	-	45,000,000
Investment available for sale	-	-	1,923,080	1,923,080
Total	45,000,000	-	1,923,080	46,923,080

Saudi Arabian Cooperative Insurance Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
30 SEPTEMBER 2014

**14 CONTINGENCIES AND COMMITMENTS**

a) *Legal proceedings and regulations*

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b) *Operating lease commitments*

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SR 1.7 million for the nine month period ended 30 September 2014 ( Nine month period ended 30 September 2013: SR 1.7 million) are recognised in the interim statement of insurance income.

Future minimum lease payments under the operating lease arrangements as at the interim statement of financial position date are as follows:

Years	30 September 2014 (Unaudited) SR	31 December 2013 (Audited) SR
2014	606,268	2,043,764
2015	2,050,698	1,996,209
2016	1,979,542	1,948,959
2017	653,135	613,207
	<u>5,289,643</u>	<u>6,602,139</u>

**15 NET UNDERWRITING SURPLUS**

Net underwriting surplus as defined by the management of the Company for the period is as follows:

	Three month ended 30 September 2014 (Unaudited) SR	Three month ended 30 September 2013 (Unaudited) SR	Nine month ended 30 September 2014 (Unaudited) SR	Nine month ended 30 September 2013 (Unaudited) SR
Net earned premiums	108,687,075	95,225,814	317,539,985	260,060,423
Commission income	11,177,143	11,788,799	32,150,134	45,287,915
Policy acquisition costs	(15,370,359)	(14,040,219)	(43,377,257)	(42,249,830)
Net claims incurred	(75,275,004)	(83,030,667)	(241,519,495)	(227,571,822)
Net underwriting surplus	<u>29,218,855</u>	<u>9,943,727</u>	<u>64,793,367</u>	<u>35,526,686</u>

**16 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 28 Dhul Hijja, 1435 H (corresponding to 22 October, 2014).