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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND
LIMITED REVIEW REPORT**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT
For The Three Month Period Ended 31 March 2014

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**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Buruj Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2014, the related interim statements of insurance and shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' and shareholders' cash flows for 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 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.

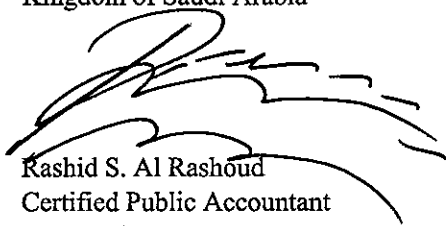
CONCLUSION:

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.

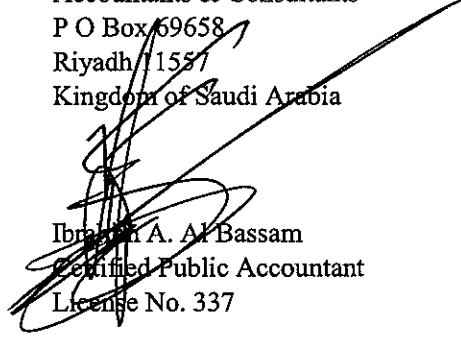
EMPHASIS OF A MATTER:

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.

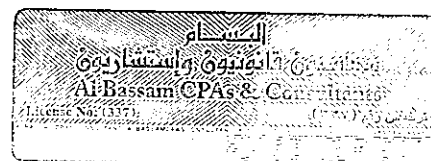
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(15 April 2014)

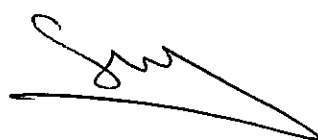
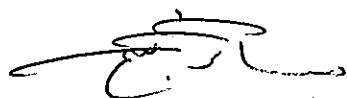
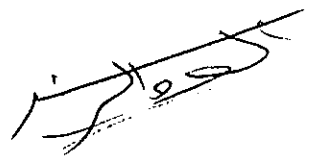


**BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	<i>Note</i>	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	80,657,848	121,530,428
Time deposits	6	42,000,013	-
Premiums and reinsurance balances receivable, net	7	52,831,637	27,750,263
Due from shareholders' operations		36,542	3,288,847
Available for sale investments	8(i)(a)	8,921,345	-
Reinsurers' share of outstanding claims		39,351,051	38,766,004
Prepayments and other assets		8,320,245	10,271,255
Deferred policy acquisition costs		12,484,851	10,531,345
Reinsurers' share of unearned premiums		24,971,163	28,037,312
Held to maturity investment	8(i)(c)	8,000,000	8,000,000
Property and equipment, net		3,389,100	3,299,017
TOTAL INSURANCE OPERATIONS' ASSETS		280,963,795	251,474,471
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	17,338,106	13,523,880
Available for sale investments	8(ii)(a)	53,276,797	56,381,037
Prepayments and other assets		491,911	261,032
Statutory deposit	9	13,243,810	13,157,101
TOTAL SHAREHOLDERS' ASSETS		84,350,624	83,323,050
TOTAL ASSETS		365,314,419	334,797,521

The accompanying notes 1 to 14 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2014

	<i>Note</i>	31 March 2014 (Unaudited) SR	31 December 2013 (Audited) SR
INSURANCE OPERATIONS' LIABILITIES & SURPLUS			
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims		88,982,256	84,727,336
Reinsurance and insurance balances payable		24,186,899	21,968,981
Accrued expenses and other liabilities		9,544,564	8,545,707
Employees' end of service benefits		2,258,872	2,061,031
Unearned reinsurance commission		4,970,035	3,805,866
Gross unearned premiums		141,552,587	124,830,264
Premium deficiency and other reserves		7,818,550	4,802,146
TOTAL INSURANCE OPERATIONS' LIABILITIES		279,313,763	250,741,331
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		1,096,640	733,140
Changes in fair values of available for sale investments	8(i)(b)	553,392	-
TOTAL INSURANCE OPERATIONS' LIABILITIES & SURPLUS		280,963,795	251,474,471
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Zakat payable		7,844,133	7,364,263
Accrued expenses and other liabilities		2,340,684	2,152,540
Due to a related party	10	36,244	36,244
Due to insurance operations		36,542	3,288,847
TOTAL SHAREHOLDERS' LIABILITIES		10,257,603	12,841,894
SHAREHOLDERS' EQUITY			
Share capital		130,000,000	130,000,000
Accumulated losses		(55,660,488)	(58,728,974)
Change in fair values of available for sale investments	8(ii)(b)	(246,491)	(789,870)
TOTAL SHAREHOLDERS' EQUITY		74,093,021	70,481,156
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		84,350,624	83,323,050
TOTAL LIABILITIES AND EQUITY		365,314,419	334,797,521

The accompanying notes 1 to 14 form part of these interim condensed financial statements.

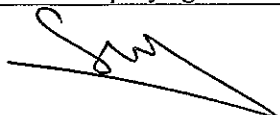
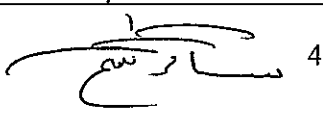
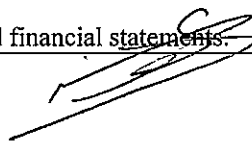
**BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS
(UNAUDITED)**

	<i>For the three month period ended</i>	
	<i>31 March 2014</i>	<i>31 March 2013</i>
	<i>Note</i>	<i>SR</i>
Gross written premiums		89,932,553
Reinsurance premiums ceded		(14,874,360)
Excess of loss premiums		(1,457,887)
NET PREMIUMS WRITTEN		73,600,306
Movement in unearned premiums, net		(19,788,472)
NET PREMIUMS EARNED		53,811,834
Reinsurance commission income		2,766,301
Policy fees		2,449,640
TOTAL REVENUES		59,027,775
Gross claims paid		(37,058,470)
Reinsurance share of claims paid		6,207,237
NET CLAIMS PAID		(30,851,233)
Movement in outstanding claims, net		(3,669,873)
Movement in premium deficiency and other reserves, net		(3,016,404)
NET CLAIMS INCURRED		(37,537,510)
Policy acquisition costs		(6,246,916)
Inspection and supervision fees		(491,993)
Other underwriting expenses		(1,703,731)
TOTAL UNDERWRITING COSTS		(45,980,150)
NET UNDERWRITING SURPLUS		13,047,625
General and administrative expenses		(9,293,043)
(Allowance for) / reversal of doubtful debts		(907,094)
Special commission income from time deposits	5, 6	273,259
Special commission income from available for sale investments		90,690
Realized gain from available for sale investments		423,262
Gain (loss) on disposal of property and equipment		300
SURPLUS FROM INSURANCE OPERATIONS		3,634,999
Surplus transferred to shareholders' operations		(3,271,499)
NET RESULT FOR THE PERIOD		363,500
Accumulated surplus at beginning of the period		733,140
ACCUMULATED SURPLUS AT END OF THE PERIOD		1,096,640

.....continued on page 5

The accompanying notes 1 to 14 form part of these interim condensed financial statements.


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

**INTERIM STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS
(UNAUDITED) (continued)**

.....continued from page 4

	<i>Note</i>	<i>For the three month period ended</i>	
		<i>31 March 2014</i>	<i>31 March 2013</i>
		<i>SR</i>	<i>SR</i>
NET RESULT FOR THE PERIOD		363,500	238,394
<i>OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:</i>			
Realized gain from available for sale investments		(423,262)	-
Change in fair values of available for sale investments		976,654	(45,808)
Net change in fair values of available for sale investments	8(i)(b)	553,392	(45,808)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		916,892	192,586





The accompanying notes 1 to 14 form part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
(UNAUDITED)**

	<i>Note</i>	<i>For the three month period ended</i>	
		<i>31 March 2014</i>	<i>31 March 2013</i>
		<i>SR</i>	<i>SR</i>
Surplus transferred from insurance operations		3,271,499	2,145,545
EXPENSES			
General and administrative		(613,072)	(560,137)
INCOME FROM OPERATIONS		2,658,427	1,585,408
Special commission income from time deposits	5	59,720	105,101
Special commission income from available for sale investments		266,814	275,683
Realized gain from available for sale investments		563,395	602,003
INCOME BEFORE ZAKAT		3,548,356	2,568,195
Zakat		(479,870)	(568,576)
NET INCOME FOR THE PERIOD		3,068,486	1,999,619
<i>OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:</i>			
Realized gain from available for sale investments		(563,395)	(602,003)
Change in fair values of available for sale investments		1,106,774	154,116
Net change in fair values of available for sale investments	8(ii)(b)	543,379	(447,887)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,611,865	1,551,732
BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD	13	0.24	0.15





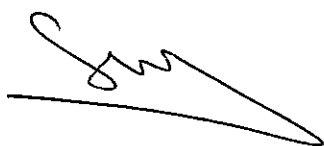
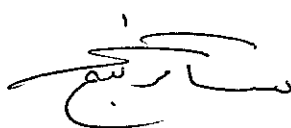

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BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the three month period ended 31 March 2014

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Change in fair values of available for sale investments SR</i>	<i>Total SR</i>
Balance as at 1 January 2013	130,000,000	(63,766,512)	986,012	67,219,500
Net income for the period	-	1,999,619	-	1,999,619
Other comprehensive loss for the period	-	-	(447,887)	(447,887)
<i>Total comprehensive income for the period</i>	-	1,999,619	(447,887)	1,551,732
Balance as at 31 March 2013	<u>130,000,000</u>	<u>(61,766,893)</u>	<u>538,125</u>	<u>68,771,232</u>
Balance as at 1 January 2014	<u>130,000,000</u>	<u>(58,728,974)</u>	<u>(789,870)</u>	<u>70,481,156</u>
Net income for the period	-	3,068,486	-	3,068,486
Other comprehensive income for the period	-	-	543,379	543,379
<i>Total comprehensive income for the period</i>	-	3,068,486	543,379	3,611,865
Balance as at 31 March 2014	<u>130,000,000</u>	<u>(55,660,488)</u>	<u>(246,491)</u>	<u>74,093,021</u>

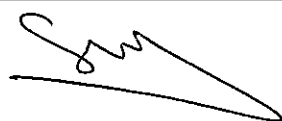
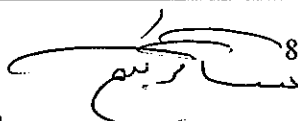
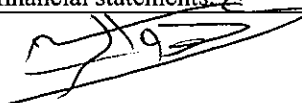
The accompanying notes 1 to 14 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)

	<i>For the three month period ended</i>	
	<i>31 March 2014</i>	<i>31 March 2013</i>
	<i>Note</i>	
	SR	SR
OPERATING ACTIVITIES		
Surplus from insurance operations	363,500	238,394
<i>Adjustments for:</i>		
Surplus transferred to shareholders' operations	3,271,499	2,145,545
Depreciation	451,292	537,879
Provision for employees' end of service benefits	207,832	192,903
Allowance for / (reversal) of doubtful debts	907,094	(397,185)
Special commission income from time deposits	(273,259)	(140,053)
Special commission income from available for sale investments	(90,690)	(157,581)
Realized gain from available for sale investments	(423,262)	-
(Gain) loss on disposal of property and equipment	(300)	709
<i>Net surplus before changes in operating assets and liabilities</i>	<u>4,413,706</u>	<u>2,420,611</u>
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurance balances receivable	(25,988,468)	(19,211,300)
Reinsurers' share of outstanding claims	(585,047)	(6,879,333)
Prepayments and other assets	1,941,010	(3,304,666)
Deferred policy acquisition costs	(1,953,506)	(2,409,576)
Reinsurers' share of unearned premiums	3,066,149	(13,795,614)
Gross outstanding claims	4,254,920	3,683,475
Reinsurance and insurance balances payable	2,217,918	13,815,154
Accrued expenses and other liabilities	998,857	276,570
Unearned commission income	1,164,169	2,010,989
Gross unearned premiums	16,722,323	24,585,887
Premium deficiency reserve and other reserves	3,016,404	1,354,690
<i>Cash from operating activities</i>	<u>9,268,435</u>	<u>2,546,887</u>
Employees' end of service benefits paid	(9,991)	(19,164)
Net cash from operating activities	<u>9,268,444</u>	<u>2,527,723</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(541,375)	(607,499)
Time deposits	6 (42,000,013)	(20,445,068)
Purchase of available for sale investments	8 (i)(b) (11,595,921)	(8,093)
Proceeds from available for sale investments	8 (i)(b) 3,651,230	132,731
Special commission income from time deposits	273,259	140,053
Special commission income from available for sale investments	90,690	157,581
Proceeds from disposal of property and equipment	300	1,000
Net cash used in investing activities	<u>(50,121,830)</u>	<u>(20,629,295)</u>
FINANCING ACTIVITY		
Due from shareholders' operations	(19,194)	(160,068)
Net cash used in financing activity	<u>(19,194)</u>	<u>(160,068)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(40,872,580)</u>	<u>(18,261,640)</u>
Cash and cash equivalents at beginning of the period	121,530,428	83,841,589
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5 <u>80,657,848</u>	<u>65,579,949</u>
<i>Non-cash transactions:</i>		
Transfer of surplus to shareholders' comprehensive operations	3,271,499	2,145,545
Net change in fair values of available for sale investments	<u>553,392</u>	<u>(45,808)</u>

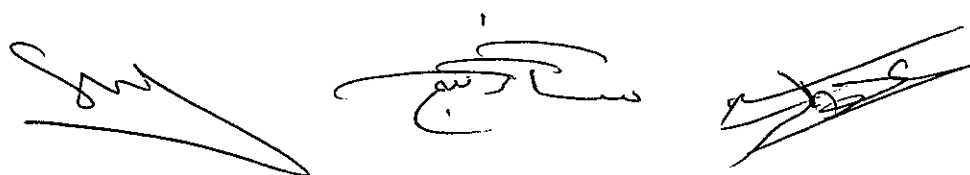
The accompanying notes 1 to 14 form part of these interim condensed financial statements.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)

	Note	For the three month period ended	
		31 March 2014 SR	31 March 2013 SR
OPERATING ACTIVITIES			
Income before zakat		3,548,356	2,568,195
<i>Adjustments for:</i>			
Surplus transferred from insurance operations		(3,271,499)	(2,145,545)
Special commission income from time deposits		(59,720)	(105,101)
Special commission income from available for sale investments		(266,814)	(275,683)
Realised gain from available for sale investments		(563,395)	(602,003)
Net deficit before changes in operating assets and liabilities		(613,072)	(560,137)
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other assets		(230,879)	(93,853)
Statutory deposit		(86,709)	(46,393)
Accrued expenses and other liabilities		188,144	2,612,802
Net cash (used in) from operating activities		(742,516)	1,912,419
INVESTING ACTIVITIES			
Special commission income from time deposits		59,720	105,101
Special commission income from available for sale investments		266,814	275,683
Purchase of available for sale investments	8(ii)(b)	-	(4,818,750)
Sale of available for sale investments	8(ii)(b)	4,211,014	8,980,502
Net cash from investing activities		4,537,548	4,542,536
FINANCING ACTIVITIES			
Due to insurance operations		19,194	160,068
Net cash from financing activities		19,194	160,068
INCREASE IN CASH AND CASH EQUIVALENTS		3,814,226	6,615,023
Cash and cash equivalents at the beginning of the period		13,523,880	33,870,831
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	17,338,106	40,485,854
<i>Non-cash transactions:</i>			
Transfer of surplus from insurance operations		(3,271,499)	(2,145,545)
Net change in fair values of available for sale investments		543,379	(447,887)



The accompanying notes 1 to 14 form part of these interim condensed financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

31 March 2014

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Buruj Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010280606 dated 10 Safar 1431H, corresponding to 26 January 2010. The registered office address of the Company is P O Box 51855, Riyadh 11553, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance business 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 Tadawul (the Saudi Arabian Stock Market) on 15 February 2010.

The Company was licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree numbered 72/M dated 28 Shawal 1429H (corresponding to 29 October 2008), pursuant to Council of Ministers resolution numbered 313 dated 27 Shawal 1429H (corresponding to 28 October 2008). On 10 Muharram 1431H (corresponding to 27 December 2009), the Ministry of Commerce and Industry issued a resolution declaring the incorporation of the Company.

On 15 Jumada Thani 1431H (corresponding to 29 May 2010), the Saudi Arabian Monetary Agency ("SAMA") issued a formal approval to transact insurance business.

The Company launched its insurance operations on 1 July 2010 after receipt of an authorization from SAMA to commence insurance operations as product approval and related formalities were completed.

2 SURPLUS / DEFICIT TRANSFERRED TO SHAREHOLDERS' OPERATIONS

The Company is required to distribute 10% of surplus from insurance operations to policyholders and the remaining 90% to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"). Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

The insurance operations resulted in a surplus for the three month period ended 31 March 2014 amounting to SR 3.6 million (31 March 2013: SR 2.3 million). Accordingly, 90% of the net surplus amounting to SR 3.2 million (31 March 2013: SR 2.1 million) has been transferred to the shareholders' operations.

3 BASIS OF PREPARATION

Basis of measurement

The interim condensed financial statements have been prepared under the historical cost basis except for the measurement at fair value of "available for sale investments".

Statement of compliance

The accompanying interim condensed financial statements for the three month period ended 31 March 2014 (the "period") are prepared in accordance with IAS 34 – Interim Financial Reporting, 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 as at 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 interim results may not be indicative of the Company's annual results.

BURUJ COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2014

4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting and risk management policies adopted in the preparation of interim condensed financial statements are consistent with those used in the Company's audited financial statements for the year ended 31 December 2013, except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the interim condensed financial statements of the Company:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Company as the Company has not entered transacted any derivative during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

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:

IFRS 9 Financial Instruments

On 19 November 2013, the IASB issued a new version of IFRS 9 *Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)*. IFRS 9 (2013) which includes the new hedge accounting requirements and some related amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The standard does not have a mandatory effective date, but it is available for application now. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial statements. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of IFRS 9 at the same time. An accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 is available for of their hedging relationships. They may later change that policy and apply the hedge accounting requirements in IFRS 9 before they eventually become mandatory. This choice is intended to be removed when the IASB completes its project on accounting for macro hedging.

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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2014

5 CASH AND CASH EQUIVALENTS

	<i>31 March 2014 (Unaudited)</i>		<i>31 December 2013 (Audited)</i>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cash in hand and at banks	75,521,527	9,462,896	113,655,218	13,523,880
Short term deposits	5,136,321	7,875,210	7,875,210	-
Cash and cash equivalents	<u>80,657,848</u>	<u>17,338,106</u>	<u>121,530,428</u>	<u>13,523,880</u>

Short term time deposits placed with local banks have an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 0.60% per annum (2013: 0.65%). The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

6 TIME DEPOSITS

Time deposits amounting to SR 42,000,013 (31 December 2013: SR nil) are placed with counterparties which have investment grade credit ratings, as rated by international rating agencies.

Time deposits are placed with local and international banks with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 2.22% per annum (31 December 2013: nil).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

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7 PREMIUMS AND REINSURANCE BALANCES RECEIVABLE, NET

Premiums and reinsurance balances receivable are comprised of the following:

	<i>31 March 2014</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2013</i> <i>(Audited)</i> <i>SR</i>
Premiums receivable	57,680,490	34,217,620
<i>Less: Allowance for doubtful debts</i>	<i>(8,778,015)</i>	<i>(7,909,106)</i>
	<u>48,902,475</u>	<u>26,308,514</u>
Reinsurance balances receivable	4,787,054	2,261,456
<i>Less: Allowance for doubtful debts</i>	<i>(857,892)</i>	<i>(819,707)</i>
	<u>3,929,162</u>	<u>1,441,749</u>
Total premiums and reinsurance balances receivable, net	<u><u>52,831,637</u></u>	<u><u>27,750,263</u></u>

8 INVESTMENTS

(i) Insurance operations (Available for sale)

(a) Available for sale ("AFS") investments amounting to SR 8,921,345 comprise of a portfolio of local quoted equity securities managed at the discretion of a locally regulated financial institution. There were no AFS investments as at 31 December 2013 held under the insurance operations.

(b) The movement during the period in AFS was as follows:

	<i>31 March 2014</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2013</i> <i>(Audited)</i> <i>SR</i>
At the beginning of the period / year	-	8,050,824
Purchased during the period / year	11,595,921	2,398,868
Sold during the period / year	<i>(3,651,230)</i>	<i>(10,440,440)</i>
	<u>7,944,691</u>	<u>9,252</u>
Change in fair values	976,654	<i>(9,252)</i>
At the end of the period / year	<u><u>8,921,345</u></u>	<u><u>-</u></u>

The cumulative change in fair value of this portfolio amounting to SR 553,392 (31 December 2013: SR Nil) is presented within 'insurance operations surplus' in the interim statement of financial position and the current period change in fair value has been reported in the interim statement of insurance comprehensive operations' under 'other comprehensive income (loss) to be reclassified subsequently to the income statement'.

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(UNAUDITED) (continued)

31 March 2014

8 INVESTMENTS (continued)

(i) Insurance operations (Held to maturity)

(c) Held to Maturity (“HTM”) investment amounting to SR 8,000,000 (31 December 2013 : SR 8,000,000) comprised of secured unquoted Sukuk issued by an unquoted company registered in the Kingdom of Saudi Arabia and maturing on 7 April 2015. The rate of return on the Sukuk is calculated based on 3-month Saudi Inter-Bank Offered Rate (“SIBOR”) plus a margin of 170 basis points per annum and paid quarterly. Management is of the opinion that the fair value of the HTM investment as at 31 March 2014 was not materially different from its carrying value.

(ii) Shareholders operations

(a) Available for sale investments of shareholders operations comprise the following:

	<i>Source of fair value</i>	<i>31 March 2014 (Unaudited) SR</i>	<i>31 December 2013 (Audited) SR</i>
GCC bonds and sukuku	Quoted	25,187,894	26,185,907
Units in local trading fund	NAV**	21,375,745	21,194,005
Units in local real estate funds	NAV**	4,790,080	4,782,400
Local equity investment	Quoted	-	2,295,647
Unquoted local equity investment	Unquoted	1,923,078	1,923,078
		<u>53,276,797</u>	<u>56,381,037</u>

** NAV: Net Asset Value as announced by asset manager.

(b) The movement during the period / year in available for sale investments are as follows:

	<i>31 March 2014 (Unaudited) SR</i>	<i>31 December 2013 (Audited) SR</i>
At the beginning of the period / year	56,381,037	34,540,378
Purchased during the period / year	-	48,877,553
Sold during the period / year	(4,211,014)	(26,874,265)
	<u>52,170,023</u>	<u>56,543,666</u>
Change in fair values	1,106,774	(162,629)
At the end of the period / year	<u>53,276,797</u>	<u>56,381,037</u>

The cumulative change in fair values of available for sale investments of shareholders’ operations amounting to SR (246,491) (31 December 2013: SR (789,870)) is presented within shareholders’ equity in the interim statement of financial position.

9 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital of the Company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for insurance companies. This statutory deposit cannot be withdrawn without the consent of SAMA. Accrued interest amounting to SR 243,810 (31 December 2013: SR 157,101) has been included under statutory deposit and accrued expenses and other liabilities.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2014

10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) *The following are the details of major related party transactions during the period and the related balances at the end of the period:*

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>	
		<i>31 March 2014 (Unaudited) SR</i>	<i>31 March 2013 (Unaudited) SR</i>
Shareholders	Gross written premiums	7,504,204	9,858,580
	Reinsurance premium ceded	(123,246)	(553,930)
	Gross claims incurred	(3,607,400)	(1,231,071)
Board of directors and committees' members	Remuneration fees, allowances and other expenses	(298,500)	(225,000)
	Gross written premiums	5,865,125	3,062,424
	Insurance brokerage contracts	(1,852,790)	(1,125,973)

Balances in respect of the above transactions with related parties are included in the relevant accounts in the interim statements of financial position and comprehensive income.

b) *Compensation of key management personnel*

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

	<i>For the three month period ended 31 March</i>	
	<i>2014 (Unaudited) SR</i>	<i>2013 (Unaudited) SR</i>
Short-term benefits	672,510	744,143
End of service benefits	64,372	31,594
	<u>736,882</u>	<u>775,737</u>

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11 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 recognised financial instruments are not significantly different from the carrying values included in the financial statements. Equity investment in an unquoted company categorised under AFS is carried at cost.

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 (unadjusted) market prices in active markets 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
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	<i>Level 1</i> <i>SR</i>	<i>Level 2</i> <i>SR</i>	<i>Level 3</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<u>2014</u>				
Bonds and sukuk	19,687,894	5,500,000	-	25,187,894
Trading and real estate funds	-	26,165,825	-	26,165,825
Equities	8,921,345	-	1,923,078	10,844,423
	<u>28,609,239</u>	<u>31,665,825</u>	<u>1,923,078</u>	<u>62,198,142</u>
<u>2013</u>				
Bonds and sukuk	20,685,907	5,500,000	-	26,185,907
Trading and real estate funds	-	25,976,405	-	25,976,405
Equities	2,295,647	-	1,923,078	4,218,725
	<u>22,981,554</u>	<u>31,476,405</u>	<u>1,923,078</u>	<u>56,381,037</u>

Transfers between levels

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During the three-month period ended 31 March 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.

There was no recurring fair value measurements categorised within Level 3 of the fair value hierarchy as set out in the table above.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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12 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 administrative expenses, allowance for doubtful debts, special commission income on term deposits and AFS investments, gain or loss on property, plant and equipment and investments.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, premiums and reinsurance balances receivable and cash and cash equivalents. Accordingly they are included in unallocated assets. Segment liabilities do not include insurance operations' due to shareholders operations, employees' end-of-service benefits, and reinsurance and insurance balances payable, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

Operating segments

<i>For the three month period ended 31 March 2014 (Unaudited)</i>	<i>Property SR</i>	<i>Motor SR</i>	<i>Marine SR</i>	<i>Medical SR</i>	<i>Others SR</i>	<i>Total SR</i>
Gross written premiums	7,962,258	64,718,658	4,704,213	6,582,926	5,964,498	89,932,553
Reinsurance premiums ceded	(7,218,929)	(2,599)	(2,962,503)	196	(4,690,525)	(14,874,360)
Excess of loss premiums	(28,375)	(899,137)	(221,325)	(220,000)	(89,050)	(1,457,887)
Net premiums written	714,954	63,816,922	1,520,385	6,363,122	1,184,923	73,600,306
Movement in unearned premiums, net	(391,591)	(25,509,656)	(724,628)	7,521,320	(683,917)	(19,788,472)
Net premiums earned	323,363	38,307,266	795,757	13,884,442	501,006	53,811,834
Reinsurance commission income	1,094,164	19,730	925,031	-	727,376	2,766,301
Policy fees	12,200	2,367,890	63,005	-	6,545	2,449,640
Total revenues	1,429,727	40,694,886	1,783,793	13,884,442	1,234,927	59,027,775
Net claims paid	(211,431)	(28,791,759)	(176,038)	(1,484,825)	(187,180)	(30,851,233)
Movement in outstanding claims, net	(45,550)	(3,549,559)	135,661	(40,293)	(170,132)	(3,669,873)
Movement in premium deficiency and other reserves, net	-	(3,016,404)	-	-	-	(3,016,404)
Net claims incurred	(256,981)	(35,357,722)	(40,377)	(1,525,118)	(357,312)	(37,537,510)
Policy acquisition costs	(494,254)	(3,147,347)	(202,214)	(2,088,928)	(314,173)	(6,246,916)
Inspection and supervision fees	(22,174)	(323,119)	(21,502)	(98,744)	(26,454)	(491,993)
Other underwriting expenses	(48,520)	(339,351)	-	(1,315,860)	-	(1,703,731)
Total underwriting costs	(821,929)	(39,167,539)	(264,093)	(5,028,650)	(697,939)	(45,980,150)
Net underwriting surplus	607,798	1,527,347	1,519,700	8,855,792	536,988	13,047,625
Unallocated expenses						(10,200,137)
Unallocated income						787,511
Surplus from insurance operations						3,634,999

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2014

12 SEGMENT INFORMATION (continued)

Operating segments

<i>For the three month period ended 31 March 2013 (Unaudited)</i>	<i>Property SR</i>	<i>Motor SR</i>	<i>Marine SR</i>	<i>Medical SR</i>	<i>Others SR</i>	<i>Total SR</i>
Gross written premiums	8,195,251	34,091,710	6,115,048	27,338,096	4,683,705	80,423,810
Reinsurance premiums ceded	(7,570,187)	(61,719)	(4,145,520)	(10,502,875)	(4,142,672)	(26,422,973)
Excess of loss premiums	(27,320)	(618,750)	(183,141)	-	(19,885)	(849,096)
Net premiums written	597,744	33,411,241	1,786,387	16,835,221	521,148	53,151,741
Movement in unearned premiums, net	(356,957)	3,451,487	(784,389)	(13,054,304)	(46,110)	(10,790,273)
Net premiums earned	240,787	36,862,728	1,001,998	3,780,917	475,038	42,361,468
Reinsurance commission income	966,481	23,071	904,389	-	690,784	2,584,725
Policy fees	5,905	1,053,284	60,630	-	3,910	1,123,729
Total revenues	1,213,173	37,939,083	1,967,017	3,780,917	1,169,732	46,069,922
Net claims paid	(42,919)	(29,695,858)	(60,313)	(456,562)	(114,563)	(30,370,215)
Movement in outstanding claims, net	(697,236)	4,285,736	(88,262)	(238,801)	(65,578)	3,195,859
Movement in premium deficiency and other reserves, net	(1,354,690)	-	-	-	-	(1,354,690)
Net claims incurred	(2,094,845)	(25,410,122)	(148,575)	(695,363)	(180,141)	(28,529,046)
Policy acquisition costs	(429,067)	(3,607,581)	(223,290)	(617,626)	(299,300)	(5,176,864)
Inspection and supervision fees	(23,992)	(170,149)	(28,426)	(410,071)	(21,558)	(654,196)
Other underwriting expenses	(7,600)	(168,604)	-	(499,222)	-	(675,426)
Total underwriting costs	(2,555,504)	(29,356,456)	(400,291)	(2,222,282)	(500,999)	(35,035,532)
Net underwriting surplus	(1,342,331)	8,582,627	1,566,726	1,558,635	668,733	11,034,390
Unallocated expenses						(9,345,270)
Unallocated income						694,819
Surplus from insurance operations						2,383,939

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 March 2014

12 SEGMENT INFORMATION (continued)

Operating segments

As at 31 March 2014 (Unaudited)

	<i>Property</i>	<i>Motor</i>	<i>Marine</i>	<i>Medical</i>	<i>Others</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
ASSETS						
Reinsurers' share of unearned premiums	8,166,379	269,821	2,962,503	6,123,271	7,449,189	24,971,163
Reinsurers' share of outstanding claims	12,211,217	3,220,376	5,842,618	8,241,906	9,834,934	39,351,051
Deferred policy acquisition costs	726,241	7,927,628	327,465	2,577,211	926,306	12,484,851
SEGMENT ASSETS	21,103,837	11,417,825	9,132,586	16,942,388	18,210,429	76,807,065
Unallocated assets						204,156,730
TOTAL ASSETS						280,963,795
LIABILITIES						
Gross unearned premiums	8,959,004	92,782,730	4,704,213	26,303,881	8,802,759	141,552,587
Gross outstanding claims	13,819,097	40,870,468	8,816,942	13,989,709	11,486,040	88,982,256
Unearned reinsurance commission	1,947,431	20,099	1,083,165	-	1,919,340	4,970,035
Premium deficiency and other reserves	100,000	7,718,550	-	-	-	7,818,550
SEGMENT LIABILITIES	24,825,532	141,391,847	14,604,320	40,293,590	22,208,139	243,323,428
Unallocated liabilities						37,640,367
TOTAL LIABILITIES						280,963,795

Operating segments

As at 31 December 2013 (Audited)

	<i>Property</i>	<i>Motor</i>	<i>Marine</i>	<i>Medical</i>	<i>Others</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
ASSETS						
Reinsurers' share of unearned premiums	5,809,175	528,453	2,524,448	13,492,819	5,682,417	28,037,312
Reinsurers' share of outstanding claims	13,043,722	3,409,224	5,738,083	8,464,853	8,110,122	38,766,004
Deferred policy acquisition costs	564,176	5,034,139	200,747	4,035,325	696,958	10,531,345
SEGMENT ASSETS	19,417,073	8,971,816	8,463,278	25,992,997	14,489,497	77,334,661
Unallocated assets						174,139,810
TOTAL ASSETS						251,474,471
LIABILITIES						
Gross unearned premiums	6,210,209	67,531,706	3,541,530	41,194,749	6,352,070	124,830,264
Gross outstanding claims	14,606,052	37,509,757	8,848,068	14,172,362	9,591,097	84,727,336
Unearned reinsurance commission	1,312,149	39,634	919,126	-	1,534,957	3,805,866
Premium deficiency and other reserves	100,000	4,702,146	-	-	-	4,802,146
SEGMENT LIABILITIES	22,228,410	109,783,243	13,308,724	55,367,111	17,478,124	218,165,612
Unallocated liabilities						33,308,859
TOTAL LIABILITIES						251,474,471

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

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13 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share (after zakat) for the period has been calculated by dividing the net income for the period by the ordinary issued and outstanding shares at the period end of 13 million shares.

14 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 15 Jumada Thani 1435H, (corresponding to 15 April 2014).