

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2013

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
(FOR THE YEAR ENDED 31 DECEMBER 2013)

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

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of Saudi Arabian Cooperative Insurance Company - A Saudi Joint Stock Company (the "Company") as at 31 December 2013 and the related statements of insurance operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the notes which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

Emphasis of matters:

We draw attention to the following:

- These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.
- Note 2 to the accompanying financial statements in relation to the insurance portfolio and related net assets of the Saudi operations of an affiliate insurance company.

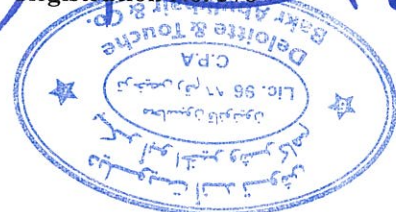
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23 Rabi Al-Thani 1435 H
(23 February 2014)

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

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Notes	2013 SR	2012 SR
INSURANCE OPERATIONS' ASSETS			
Property and equipment, net	8	7,791,588	7,228,790
Due from shareholders' operations		8,831,970	-
Reinsurers' share of outstanding claims	9 (a)	265,096,871	256,766,443
Reinsurers' share of unearned premiums	9 (b)	67,085,081	93,068,705
Deferred policy acquisition costs	9 (d)	21,489,351	22,169,402
Premiums and insurance balances receivable	10	107,482,046	93,752,665
Available for sale investment	11	1,923,080	-
Prepayments and other assets	12	7,608,009	8,489,545
Due from related parties	13	51,803,212	117,418,062
Time deposits	14	82,000,000	50,257,231
Cash and cash equivalents	15	95,744,470	42,370,837
TOTAL INSURANCE OPERATIONS' ASSETS		716,855,678	691,521,680
SHAREHOLDERS' ASSETS			
Statutory deposit	16	10,000,000	10,000,000
Due from insurance operations		-	4,911,642
Prepayments and other assets	12	1,243,094	1,215,881
Time deposits	14	31,100,000	66,132,644
Cash and cash equivalents	15	20,513,348	532,174
TOTAL SHAREHOLDERS' ASSETS		62,856,442	82,792,341
TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS		779,712,120	774,314,021


ABDULAZIZ A. ABUSSUD
BOARD MEMBER


MOHAN VARGHESE
CHIEF FINANCIAL OFFICER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

The accompanying notes 1 to 28 form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 DECEMBER 2013

	Notes	2013 SR	2012 SR
INSURANCE OPERATIONS' LIABILITIES			
Employees' end-of-service benefits		6,755,639	5,834,597
Insurance operations' surplus distribution payable		1,900,554	1,900,554
Due to shareholders' operations		-	4,911,642
Gross outstanding claims	9 (a)	397,826,663	336,631,993
Gross unearned premiums	9 (b)	219,475,708	221,951,363
Unearned commission income	9 (c)	18,161,317	19,728,071
Due to a related party	13	-	331,890
Reinsurance balances payable	18	37,921,002	66,703,152
Accrued expenses and other liabilities	19	34,814,795	33,528,418
TOTAL INSURANCE OPERATIONS' LIABILITIES		716,855,678	691,521,680
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Due to insurance operations		8,831,970	-
Provision for zakat	20	1,426,951	2,396,433
Accounts payable		859,385	1,703,409
TOTAL SHAREHOLDERS' LIABILITIES		11,118,306	4,099,842
SHAREHOLDERS' EQUITY			
Share capital	21	100,000,000	100,000,000
Accumulated losses		(48,261,864)	(21,307,501)
TOTAL SHAREHOLDERS' EQUITY		51,738,136	78,692,499
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		62,856,442	82,792,341
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY		779,712,120	774,314,021


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

STATEMENT OF INSURANCE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	31 December 2013 SR	31 December 2012 SR
REVENUE			
Gross written premiums	9 (b)	623,949,964	567,917,057
Reinsurance premium ceded	9 (b)	(230,767,702)	(254,549,760)
Excess of loss premiums		(16,847,483)	(12,851,303)
NET WRITTEN PREMIUMS		376,334,779	300,515,994
Movement in unearned premiums		(23,507,969)	(18,777,253)
NET PREMIUMS EARNED		352,826,810	281,738,741
Commission income	9 (c)	54,493,329	57,790,383
Other income		2,753,566	3,079,859
Special commission income		704,595	393,300
TOTAL INSURANCE REVENUE		410,778,300	343,002,283
COSTS AND EXPENSES			
Gross claims paid	9 (a)	397,463,757	280,832,963
Reinsurers' share of claims paid	9 (a)	(138,620,628)	(77,502,803)
NET CLAIMS PAID		258,843,129	203,330,160
Movement in outstanding claims, net		52,864,242	2,928,618
NET CLAIMS INCURRED	9 (a)	311,707,371	206,258,778
Policy acquisition costs	9 (d)	54,553,992	56,302,343
General and administration expenses	22	67,787,149	52,527,306
(Reversal) / Provision for doubtful receivables	10	(2,543,001)	3,687,267
Inspection and supervision fees		5,232,987	5,221,051
TOTAL COSTS AND EXPENSES		436,738,498	323,996,745
NET (DEFICIT) / SURPLUS FROM INSURANCE OPERATIONS		(25,960,198)	19,005,538
Shareholders' appropriation from deficit / (surplus)		25,960,198	(17,104,984)
Net surplus from insurance operations after shareholders' appropriation		-	1,900,554


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

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2013

		<i>31 December</i> 2013 SR	<i>31 December</i> 2012 SR
	<i>Notes</i>		
Appropriation of (deficit) /surplus from insurance operations		(25,960,198)	17,104,984
Special commission income		617,447	420,011
General and administration expenses	22	(441,828)	(1,056,706)
(LOSS) / INCOME BEFORE ZAKAT		(25,784,579)	16,468,289
Zakat	20	(1,169,784)	(2,173,351)
NET (LOSS) / INCOME FOR THE YEAR		(26,954,363)	14,294,938
OTHER COMPREHENSIVE (LOSS) / INCOME			
Change in fair value of available for sale investments		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(26,954,363)	14,294,938
(LOSS) / EARNINGS PER SHARE			
Basic and diluted (loss) / earnings per share for the year	21, 27	(2.70)	1.43
Weighted average number of shares in issue throughout the year (in thousands)	21, 27	10,000	10,000


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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance as at 1 January 2012	100,000,000	(35,602,439)	64,397,561
Total comprehensive income for the year	-	14,294,938	14,294,938
Balance as at 31 December 2012	100,000,000	(21,307,501)	78,692,499
Total comprehensive loss for the year	-	(26,954,363)	(26,954,363)
Balance as at 31 December 2013	100,000,000	(48,261,864)	51,738,136


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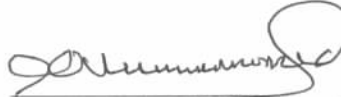
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 SR	2012 SR
OPERATING ACTIVITIES			
Net surplus from insurance operations after shareholders' appropriation		-	1,900,554
Adjustments for:			
Depreciation	22	4,703,484	3,775,746
(Reversal) / Provision for doubtful receivables	10	(2,543,001)	3,687,267
Employees' end-of-service benefits, net		921,042	1,360,786
Shareholders' appropriation from (deficit) / surplus		(25,960,198)	17,104,984
(Loss) / Income before changes in operating assets and liabilities		(22,878,673)	27,829,337
Changes in operating assets and liabilities:			
Reinsurers' share of outstanding claims		(8,330,428)	(103,662,241)
Reinsurers' share of unearned premiums		25,983,624	7,643,300
Deferred policy acquisition costs		680,051	1,179,526
Premiums and insurance balances receivable		(11,186,380)	(9,589,632)
Prepayments and other assets		881,536	(1,542,267)
Due from related parties		65,614,850	(22,600,663)
Gross outstanding claims		61,194,670	106,590,859
Gross unearned premiums		(2,475,655)	11,133,953
Unearned commission income		(1,566,754)	1,003,107
Due to a related party		(331,890)	(233,181)
Reinsurance balances payable		(28,782,150)	26,739,644
Accrued expenses and other liabilities		1,286,377	7,058,808
Net cash from operating activities		80,089,178	51,550,550
INVESTING ACTIVITIES			
Purchase of property and equipment		(5,266,282)	(3,762,154)
Purchase of available for sale investment		(1,923,080)	-
Time deposits, net		(31,742,769)	(25,206,398)
Net cash used in investing activities		(38,932,131)	(28,968,552)
FINANCING ACTIVITY			
Due to shareholders' operations, net		12,216,586	(12,631,878)
Net cash from / (used in) financing activity		12,216,586	(12,631,878)
INCREASE IN CASH AND CASH EQUIVALENTS		53,373,633	9,950,120
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		42,370,837	32,420,717
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	95,744,470	42,370,837


MOHAN VARGHESE
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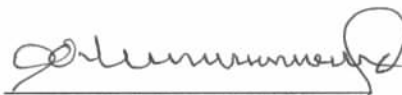

HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

The accompanying notes 1 to 28 form part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 SR	2012 SR
	<i>Notes</i>	
OPERATING ACTIVITIES		
(Loss) / Income before zakat	(25,784,579)	16,468,289
Adjustment for:		
Appropriation of deficit / (surplus) from insurance operations	25,960,198	(17,104,984)
Loss / (income) before changes in operating assets and liabilities	175,619	(636,695)
Changes in operating assets and liabilities:		
Prepayments and other assets	(27,213)	(550,066)
Accounts payable	(844,024)	845,601
Cash used in operations	(695,618)	(341,160)
Zakat paid	20 (2,139,266)	(1,696,469)
Net cash used in operating activities	(2,834,884)	(2,037,629)
INVESTING ACTIVITY		
Time deposits, net	35,032,644	(14,458,963)
Net cash from / (used in) investing activity	35,032,644	(14,458,963)
FINANCING ACTIVITY		
Due from insurance operations, net	(12,216,586)	12,631,878
Net cash (used in) / from financing activity	(12,216,586)	12,631,878
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	19,981,174	(3,864,714)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	532,174	4,396,888
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15 20,513,348	532,174



ABDULAZIZ A. ABUSSUUD
BOARD MEMBER



MOHAN VARGHESE
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HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

The accompanying notes 1 to 28 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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 at 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.

2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

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 ("MOCI") 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.

The Company entered into an asset purchase agreement (the "Agreement"), pursuant to which it is expected to offer to purchase the insurance business and related net assets of Saudi Arabian Insurance Company B.S.C (C)'s (a shareholder of the Company) operations in the Kingdom of Saudi Arabia (the Saudi operations) at a valuation to be approved by SAMA.

The Company convened a general assembly meeting on 26 August 2009 and approved the purchase of the insurance portfolio and related net assets of the Saudi operations. The related assets and liabilities to be acquired will be determined and valued in accordance with the valuation program issued by SAMA in May 2007. The Company is planning to transfer the assets and liabilities with effect from 1 January 2009. Accordingly, the net results related to such portfolio subsequent to 1 January 2009 will also be transferred to the Company. The transfer will take effect when all required formalities have been completed.

3 BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2013 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS). Accordingly these financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA).

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of other revenue and expenses from joint operations is determined by the management and Board of Directors.

Moham Varghese

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

3 BASIS OF PREPARATION (continued)

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyal.

4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendment to IFRS effective for the annual period beginning of 1 January 2013:

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

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment neither affected the presentation nor impacted the Company's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.



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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

4 NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed financial statements period. The Company provides these disclosures in Note 24.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Company is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5 STANDARD AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

The Company has chosen not to early adopt IFRS 9 (2010) – Financial instruments, and the amendment to IAS 32 - Financial instruments: Presentation on offsetting financial assets and financial liabilities, which will not be effective until January 1, 2015 and January 1, 2014, respectively.

6 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incept. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.



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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Premiums earned and commission income

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months premium for marine cargo business
- Actual number of days for other lines of business

Premiums receivable

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recorded in the statement of insurance operations. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of financial reporting period and settlements and provisions in the following period is included in the general and administration expenses for that period.

Gross outstanding claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations. Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as of the financial reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported as of financial reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance operations for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the financial reporting date.

Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contract. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each financial reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance (continued)

Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognised in the statement of insurance operations.

Expense Recognition

Expenses are recognized in statements of insurance operations and shareholders' comprehensive operations when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of insurance operations and shareholders' comprehensive operations on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statements of insurance operations and shareholders' comprehensive operations are presented using the nature of expense method.

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the statement of insurance operations.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each financial reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of insurance operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial reporting period.

Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of insurance operations and shareholders' comprehensive operations as they are consumed or expire with the passage of time.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets.

Zakat

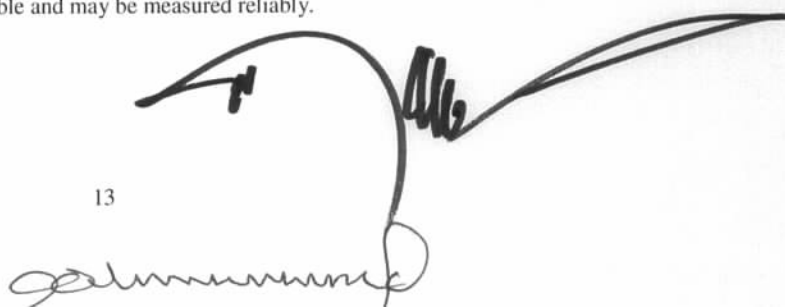
In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholder. Provisions for zakat charged to shareholders' accounts of the Saudi shareholders. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Moh. Vanchera



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Operating lease payments are recognised as an expense in the statements of insurance operations and shareholders' comprehensive operations on a straight-line basis over the lease term except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Employees' end - of - service benefits

The Company provides end-of-service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and time deposits with an original maturity of less than three months at the date of acquisition.

Time Deposits

Time deposits comprise of time deposits at banks with original maturity of less than one year at the date of acquisition.

Special commission income on time deposits

Special commission income on time deposits is accrued on an effective yield basis.

Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on products and services and has seven reportable operating segments and one non-operating reportable segment as follows:

- Medical provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- Shareholders' Funds is a non-operating segment. Income earned from time deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis.
- General accident provides coverage against accidental death to individual and group of parties under Personal Accident Insurance.
- Others provides coverage for workmen compensation

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated at the rates of exchange prevailing at that date. All differences are taken to the statement of insurance operations.

Financial Assets

Initial recognition

Financial assets are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets.

Classification and Subsequent Measurement

Financial assets are classified into the following specified categories: available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

b. Available for Sale financial assets ("AFS") are non-derivative financial assets that are not classified as loans and receivables, Held to maturity investments or financial assets at Fair value through Profit or loss. Changes in the carrying amount of the AFS financial asset are recognized in other comprehensive income in the shareholders' comprehensive operations. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities.

Classification and Subsequent Measurement

Since the Company does not have financial liabilities classified at Fair value through Profit or loss, all financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of insurance operations or statement of shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2013

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the financial reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is not an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for similar assets.

Impairment and uncollectibility of financial assets

An assessment is made at each financial reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statements of insurance operations and shareholders' comprehensive operations.

When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statements of insurance operations and shareholders' comprehensive operations;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Statutory reserve

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to a statutory reserve until it has built up a reserve equal to the share capital. Due to accumulated losses, no such transfer has been made for the year ended December 31, 2013.



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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of the financial reporting period, for which the insured event has occurred prior to the end of financial reporting period.

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred policy acquisition costs

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Additionally, the management is not aware of any material uncertainties that, may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.



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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2013

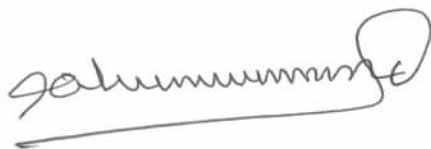
8 PROPERTY AND EQUIPMENT, NET

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	3 years
Furniture and fittings	10 years
Computer and office equipment	3- 5 years
Vehicles	3 years

	<i>Leasehold improvements SR</i>	<i>Furniture and fittings SR</i>	<i>Computer and office equipment SR</i>	<i>Vehicles SR</i>	<i>Total SR</i>
Cost:					
1 January 2012	4,992,923	1,952,238	7,028,079	21,719	13,994,959
Additions	171,635	10,458	3,490,561	89,500	3,762,154
31 December 2012	5,164,558	1,962,696	10,518,640	111,219	17,757,113
Additions	1,585,869	12,781	3,235,632	432,000	5,266,282
31 December 2013	6,750,427	1,975,477	13,754,272	543,219	23,023,395
Accumulated depreciation:					
1 January 2012	2,736,882	651,012	3,360,121	4,562	6,752,577
Charge for the year	1,066,128	195,878	2,489,094	24,646	3,775,746
31 December 2012	3,803,010	846,890	5,849,215	29,208	10,528,323
Charge for the year	1,341,213	196,315	3,015,276	150,680	4,703,484
31 December 2013	5,144,223	1,043,205	8,864,491	179,888	15,231,807
Net book value:					
31 December 2013	1,606,204	932,272	4,889,781	363,331	7,791,588
31 December 2012	1,361,548	1,115,806	4,669,425	82,011	7,228,790

The depreciation charge for the year has been included in general and administration expenses (Note 22).




SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

9 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS

(a) Outstanding claims

	2013			2012		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Outstanding at end of the year	352,826,410	(265,096,871)	87,729,539	312,453,402	(256,766,443)	55,686,959
IBNR and other reserves	45,000,253	-	45,000,253	24,178,591	-	24,178,591
	397,826,663	(265,096,871)	132,729,792	336,631,993	(256,766,443)	79,865,550
Insurance claims paid during the year	397,463,757	(138,620,628)	258,843,129	280,832,963	(77,502,803)	203,330,160
Outstanding at beginning of the year	(312,453,402)	256,766,443	(55,686,959)	(204,624,401)	153,104,202	(51,520,199)
IBNR and other reserves	(24,178,591)	-	(24,178,591)	(25,416,733)	-	(25,416,733)
	(336,631,993)	256,766,443	(79,865,550)	(230,041,134)	153,104,202	(76,936,932)
Net claims incurred	458,658,427	(146,951,056)	311,707,371	387,423,822	(181,165,044)	206,258,778

(b) Unearned premiums

	2013			2012		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Unearned premiums at beginning of the year	221,951,363	(93,068,705)	128,882,658	210,817,410	(100,712,005)	110,105,405
Premiums written during the year	623,949,964	(230,767,702)	393,182,262	567,917,057	(254,549,760)	313,367,297
Premiums earned during the year	(626,425,619)	256,751,326	(369,674,293)	(556,783,104)	262,193,060	(294,590,044)
Unearned premiums at end of the year	219,475,708	(67,085,081)	152,390,627	221,951,363	(93,068,705)	128,882,658

(c) Unearned commission income

	2013 SR	2012 SR
Unearned commission income at beginning of the year	19,728,071	18,724,964
Commission received during the year	52,926,575	58,793,490
Commission earned during the year	(54,493,329)	(57,790,383)
Unearned commission income at end of the year	18,161,317	19,728,071




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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

9 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED
COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS (continued)

(d) Deferred policy acquisition costs

	2013 SR	2012 SR
Deferred policy acquisition costs at beginning of the year	22,169,402	23,348,928
Incurred during the year	53,873,941	55,122,817
Amortised during the year	(54,553,992)	(56,302,343)
Deferred policy acquisition costs at end of the year	<u>21,489,351</u>	<u>22,169,402</u>

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2013 SR	2012 SR
Premiums receivables	114,900,530	106,025,739
Reinsurers and others	7,500,892	5,189,303
Total premiums and insurance balances receivable	122,401,422	111,215,042
Provision for doubtful receivables	(14,919,376)	(17,462,377)
	<u>107,482,046</u>	<u>93,752,665</u>

The Company's terms of business require amounts to be settled within 30 to 90 days from the date of the transaction. Amounts due from reinsurers are normally settled on a quarterly basis.

As at 31 December, the ageing of premium and insurance balances receivable is as follows:

	Total SR	Less than 30 days SR	31 to 60 days SR	61 to 90 days SR	91 to 180 Days SR	181 to 365 Days SR	Above 365 days SR
2013	<u>122,401,422</u>	<u>22,776,565</u>	<u>15,909,286</u>	<u>15,655,316</u>	<u>34,752,214</u>	<u>23,344,966</u>	<u>9,963,075</u>
2012	<u>111,215,042</u>	<u>19,966,011</u>	<u>12,847,810</u>	<u>13,970,817</u>	<u>33,367,799</u>	<u>21,453,180</u>	<u>9,609,425</u>

The Company classifies client balances as 'past due and impaired' on a case by case basis. An impairment adjustment is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over receivables and they are, therefore, unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to policyholders with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past.




SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE (continued)

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

	2013 SR	2012 SR
Beginning balance	17,462,377	13,775,110
(Reversal)/ provision made during the year	(2,543,001)	3,687,267
Ending balance	<u>14,919,376</u>	<u>17,462,377</u>

11 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. At December 31, 2013, management believes that the carrying amount of the available for sale investment approximates its fair value. See also Note 24.

12 PREPAYMENTS AND OTHER ASSETS

	2013		2012	
	Insurance Operations SR	Shareholders' Operations SR	Insurance Operations SR	Shareholders' Operations SR
Prepaid excess of loss premium	1,639,094	-	3,388,555	-
Advances to suppliers	1,320,469	-	-	-
Advance for computer implementation	1,112,909	-	438,560	-
Employee receivables	1,030,125	-	307,392	-
Prepaid insurance	976,397	-	821,580	-
Guarantee deposits	969,672	-	1,232,381	-
Prepaid rent	362,111	-	587,597	-
Accrued special commission income	166,761	865,594	419,338	838,381
Excess of loss recovery receivable	-	-	1,105,613	-
Others	30,471	377,500	188,529	377,500
	<u>7,608,009</u>	<u>1,243,094</u>	<u>8,489,545</u>	<u>1,215,881</u>

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

13 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

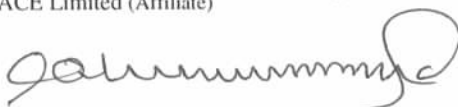
The following are the details of major related parties transactions during the year:

<i>Related parties</i>	<i>Nature of transactions</i>	<i>2013 SR</i>	<i>2012 SR</i>
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	- Amounts (paid) / received and paid on behalf of SAICO BSC (C) for insurance operations	<u>(59,163,314)</u>	<u>4,494,988</u>
ACE Insurance Agents Limited("Agent") (Affiliate)	- Premiums received through Agent	<u>23,443,797</u>	<u>33,438,696</u>
	- Claims paid through Agent	<u>186,397</u>	<u>31,426,660</u>
	- Commission expense	<u>3,267,450</u>	<u>4,551,813</u>
ACE Limited (Affiliate)	- Premiums and claims, net	<u>547,350</u>	<u>1,799,422</u>
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	- Premiums received through brokers, net	<u>69,505,163</u>	<u>154,628,028</u>
	- Commission expense	<u>12,482,313</u>	<u>22,347,752</u>
	- Premiums ceded through Broker	<u>74,691,683</u>	<u>32,280,724</u>
	- Commission received	<u>5,337,495</u>	<u>8,231,939</u>

b) Balances with related parties

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

		<i>2013 SR</i>	<i>2012 SR</i>
<i>Due from related parties:</i>			
Saudi Arabian Insurance Company B.S.C (C) (SAICO BSC (C)) (Shareholder)	- Insurance operations	<u>4,385,795</u>	63,549,109
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	- Insurance operations	<u>40,358,517</u>	45,264,689
ACE Insurance Agents limited ("Agent") (Affiliate)	- Insurance operations	<u>7,058,900</u>	8,604,264
		<u>51,803,212</u>	117,418,062
<i>Due to a related party:</i>			
ACE Limited (Affiliate)	- Insurance operations	-	(331,890)



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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Outstanding balances at the financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment of related party balances was made at the financial reporting date.

This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.

c) *Compensation of key management personnel*

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

	2013 SR	2012 SR
Short-term benefits	4,959,518	4,913,426
Bonus	420,750	-
Employees' end-of-service benefits	252,031	182,698
	<u>5,632,299</u>	<u>5,096,124</u>

14 TIME DEPOSITS

Time deposits represent deposits with local banks which have good investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The Company earns commission at an effective commission rate of 1.05 % per annum (31 December 2012: 0.90 % per annum).

15 CASH AND CASH EQUIVALENTS

	2013		2012	
	<i>Insurance operations'</i> SR	<i>Shareholders' operations'</i> SR	<i>Insurance operations'</i> SR	<i>Shareholders' operations'</i> SR
Short term deposits	40,000,000	19,392,197	-	-
Cash at banks	55,712,170	1,121,151	42,338,837	532,174
Cash on hand	32,300	-	32,000	-
	<u>95,744,470</u>	<u>20,513,348</u>	<u>42,370,837</u>	<u>532,174</u>

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 months depending on the immediate cash requirements of the Company and earn commission at an effective commission rate of 0.82% per annum (31 December 2012: 0.11% per annum)

The Company holds an amount of SR 1,485,227 (31 December 2012 – SR 3,140,140) 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 financial statements.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

16 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of SAMA. This statutory deposit is placed with a counterparty which has an investment grade credit rating.

17 CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision (without IBNR and other reserves) for 2013:

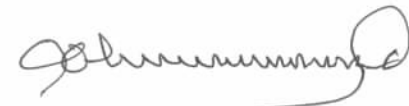

<u>Accident year</u>	2009	2010	2011	2012	2013	
At end of accident year	2,926,659	289,459,675	381,035,209	346,192,089	358,966,669	
One year later	4,368,043	267,450,397	414,494,773	415,892,377	-	
Two years later	3,990,444	273,056,039	411,335,528	-	-	
Three years later	6,760,694	286,031,791	-	-	-	
Four years later	6,748,414	-	-	-	-	<i>Total</i>
Current estimate of cumulative claims incurred	6,748,414	286,031,791	411,335,528	415,892,377	358,966,669	1,478,974,779
Cumulative payments to date	(591,339)	(103,025,228)	(344,235,082)	(280,832,964)	(397,463,756)	(1,126,148,369)
Total gross insurance outstanding claims provision per the statement of financial position	6,157,075	183,006,563	67,100,446	135,059,413	(38,497,087)	352,826,410

Gross insurance contract outstanding claims provision (without IBNR and other reserves) for 2012:

<u>Accident year</u>	2009	2010	2011	2012	
At end of accident year	2,926,659	289,459,675	381,035,209	346,192,089	
One year later	4,368,043	267,450,397	414,494,773	-	
Two years later	3,990,444	273,056,039	-	-	
Three years later	6,760,694	-	-	-	<i>Total</i>
Current estimate of cumulative claims incurred	6,760,694	273,056,039	414,494,773	346,192,089	1,040,503,595
Cumulative payments to date	(591,339)	(103,025,228)	(344,235,082)	(280,198,544)	(728,050,193)
Total gross insurance outstanding claims provision per the statement of financial position	6,169,355	170,030,811	70,259,691	65,993,545	312,453,402

18 REINSURANCE BALANCES PAYABLE

	2013 SR	2012 SR
Insurance underwriters	37,921,002	65,895,014
Premiums payable	-	808,138
	<u>37,921,002</u>	<u>66,703,152</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

19 ACCRUED EXPENSES AND OTHER LIABILITIES

	2013 SR	2012 SR
Commission payable	13,486,189	13,264,198
Policyholders' payable balances	7,398,862	7,888,639
Employees' benefits	2,564,775	1,918,099
Council for Cooperative Health Insurance fees ("CCHI")	2,499,785	2,500,560
Claims agreed for settlement	2,229,693	2,364,914
Garages payable	1,266,010	798,740
SAMA inspection & supervision fees	560,576	556,185
Surveyors payable	421,103	54,755
Accrued professional fees	412,999	200,000
Withholding tax payable	394,107	207,473
Others	3,580,696	3,774,855
	<u>34,814,795</u>	<u>33,528,418</u>

20 PROVISION FOR ZAKAT

The provision for the year of SR 1,169,784 (2012: SR 2,173,351) is based on the following:

	2013 SR	2012 SR
Shareholders' equity and opening provisions	101,989,473	82,646,482
Book value of long term assets and statutory deposit	(17,791,588)	(17,228,789)
	<u>84,197,885</u>	<u>65,417,693</u>
Adjusted (loss) / income for the year	(27,406,538)	21,516,342
Zakat base	<u>56,791,347</u>	<u>86,934,035</u>

The movement in the provision for zakat during the year follows:

	2013 SR	2012 SR
Beginning balance	2,396,433	1,919,551
Provision made during the year	1,169,784	2,173,351
Payments during the year	(2,139,266)	(1,696,469)
Ending balance	<u>1,426,951</u>	<u>2,396,433</u>

The differences between the financial and zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable income / (loss).

Status of assessments

The Company obtained from DZIT the final assessment for the year ended 31 December 2008 with no additional zakat liability. The Company has filed its zakat declaration for the years ended 31 December 2009, 2010, 2011 and 2012 with the DZIT. However, the assessments have not yet been finalized and are under review by DZIT.

21 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 2012: 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

22 GENERAL AND ADMINISTRATION EXPENSES

	2013		2012	
	Insurance operations' SR	Shareholders' operations SR	Insurance operations' SR	Shareholders' operations SR
Employees cost	43,830,556	-	35,917,513	-
Withholding tax	5,822,858	-	1,952,930	-
Depreciation (Note 8)	4,703,484	-	3,775,746	-
Rent (Note 25)	2,282,362	-	1,812,245	-
Computer implementation	1,849,852	-	1,665,713	-
Postage, telephone and telex	1,290,751	-	1,209,741	-
Legal and professional fees	1,193,821	-	1,439,552	-
Printing and stationery	876,505	-	725,466	-
Repairs and maintenance	679,809	-	689,512	-
Travel	410,912	-	564,830	-
Collector fees	290,958	-	120,026	-
Tadawul subscription fee	-	180,000	-	180,000
Others	4,555,281	261,828	2,654,032	876,706
	<u>67,787,149</u>	<u>441,828</u>	<u>52,527,306</u>	<u>1,056,706</u>

23 SEGMENT INFORMATION

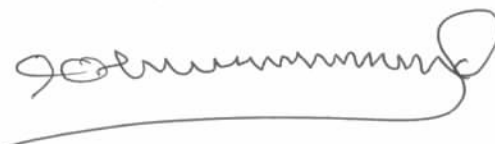
Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities.

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, due from shareholders' operations, time deposits and cash and cash equivalents. Accordingly, they are included in unallocated assets.

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

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

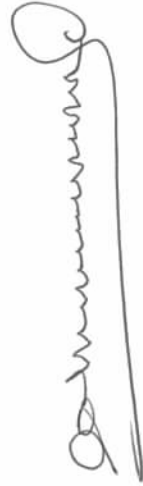
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 SEGMENT INFORMATION (continued)

For the year ended 31 December 2013

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	249,979	123,208	119,130	29,378	38,366	13,648	35,832	14,409	623,950
Reinsurance premiums ceded	(3,942)	(575)	(112,693)	(26,553)	(36,140)	(7,920)	(33,630)	(9,315)	(230,768)
Excess of loss premiums	(10,589)	(2,660)	(1,833)	(753)	(806)	(128)	-	(78)	(16,847)
Net written premiums	235,448	119,973	4,604	2,072	1,420	5,600	2,202	5,016	376,335
Movement in unearned premiums	(18,404)	(6,878)	822	289	(658)	1,032	(128)	417	(23,508)
Net earned premiums	217,044	113,095	5,426	2,361	762	6,632	2,074	5,433	352,827
Commission income	7,473	192	17,140	9,839	8,586	985	6,222	4,056	54,493
Total allocated revenue	224,517	113,287	22,566	12,200	9,348	7,617	8,296	9,489	407,320
Unallocated revenue									3,458
Total revenue									410,778
COSTS AND EXPENSES									
Gross claims paid	192,452	84,018	92,656	6,136	10,409	14	9,671	2,108	397,464
Reinsurers' share of claims paid	(27,658)	243	(85,235)	(5,393)	(9,706)	28	(9,286)	(1,614)	(138,621)
Net claims paid	164,794	84,261	7,421	743	703	42	385	494	258,843
Movement in outstanding claims, net	53,597	(2,431)	819	(346)	311	(430)	1,141	203	52,864
Net claims incurred	218,391	81,830	8,240	397	1,014	(388)	1,526	697	311,707
Policy acquisition costs	15,674	15,773	11,334	3,762	3,704	1,141	1,205	1,961	54,554
Total allocated costs and expenses	234,065	97,603	19,574	4,159	4,718	753	2,731	2,658	366,261
Unallocated expenses									70,477
Total costs and expenses									436,738
Net deficit from insurance operations									(25,960)




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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 SEGMENT INFORMATION (continued)

For the year ended 31 December 2012

	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
REVENUE									
Gross written premiums	250,056	104,694	76,289	37,440	46,177	10,307	28,966	13,988	567,917
Reinsurance premium ceded	(65,892)	(753)	(68,855)	(33,658)	(43,837)	(5,702)	(26,755)	(9,098)	(254,550)
Excess of loss premiums	(6,010)	(2,183)	(3,007)	(793)	(678)	(107)	-	(73)	(12,851)
Net written premiums	178,154	101,758	4,427	2,989	1,662	4,498	2,211	4,817	300,516
Movement in unearned premiums	(24,726)	5,294	314	(113)	(668)	1,437	(200)	(115)	(18,777)
Net premiums earned	153,428	107,052	4,741	2,876	994	5,935	2,011	4,702	281,739
Commission income	3,243	198	19,893	12,761	10,669	1,391	6,428	3,207	57,790
Total allocated revenue	156,671	107,250	24,634	15,637	11,663	7,326	8,439	7,909	339,529
Unallocated revenue									3,473
Total revenue									343,002
COSTS AND EXPENSES									
Gross claims paid	128,284	76,567	20,544	5,244	4,891	242	11,793	33,268	280,833
Reinsurers' share of claims paid	(5,391)	(1,456)	(17,672)	(4,618)	(4,510)	(41)	(11,518)	(32,297)	(77,503)
Net claims paid	122,893	75,111	2,872	626	381	201	275	971	203,330
Movement in outstanding claims	809	(3,138)	3,995	1,701	194	(360)	213	(485)	2,929
Net claims incurred	123,702	71,973	6,867	2,327	575	(159)	488	486	206,259
Policy acquisition costs	10,245	15,871	13,074	4,549	4,770	1,613	1,262	4,918	56,302
Total allocated costs and expenses	133,947	87,844	19,941	6,876	5,345	1,454	1,750	5,404	262,561
Unallocated expenses									61,436
Total costs and expenses									323,997
Net surplus from insurance operations									19,005



Mohamed Vargha



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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

23 SEGMENT INFORMATION (continued)

	As at 31 December 2013							Total SR'000	
	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
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
SEGMENT ASSETS	7,732	9,119	136,413	29,132	73,823	4,887	89,998	2,567	353,671
Unallocated assets									363,185
TOTAL ASSETS									716,856
LIABILITIES									
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
SEGMENT LIABILITIES	190,351	74,048	148,952	33,475	81,243	7,893	94,703	4,799	635,464
Unallocated liabilities									81,392
TOTAL LIABILITIES									716,856

Unallocated assets at 31 December 2013 consists mainly of premiums and insurance receivables of SR 107.5 million, due from related parties of SR 51.8 million, cash and cash equivalents of SR 95.7 million and other assets of SR 108.2 million.

Moham Varghen
Mohammed Alshammari

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

24 RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

Risk Governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors. The Company is exposed to insurance, reinsurance, special commission rate, credit, and liquidity and currency risks.

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of directors

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks.

The Company issues short term insurance policies in connection with medical, motor, fire and burglary, marine, engineering and public liability risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and burglary, marine, engineering and public liability risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2013

24 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive policies for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

Fire and burglary

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

Marine

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

Engineering

For engineering insurance, main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

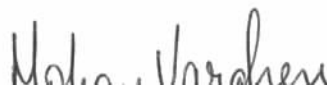
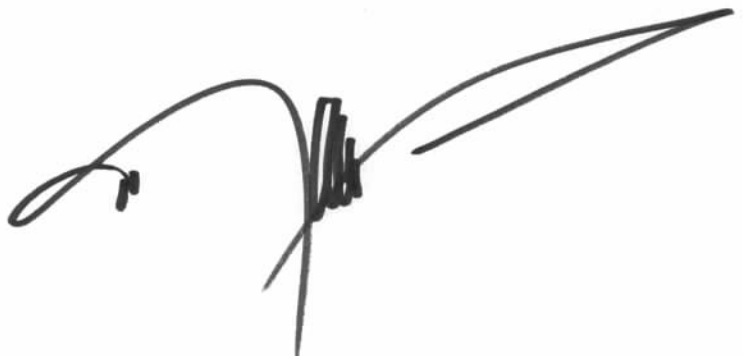

Public liability

For public liability insurance, main risks are legal liabilities of the insured towards third party death, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the Company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

Sensitivity analysis

The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 5% change in the claims ratio would impact (loss) / income for the year by approximately SR 17,641,341 (31 December 2012: SR 14,086,937) in aggregate.



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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

24 RISK MANAGEMENT (continued)

b) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programs.

c) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its time deposits and cash and cash equivalents.

The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2013. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2013 would impact special commission income on time deposits by approximately SR 12,911 (31 December 2012: SR 18,992) over the remaining period of maturity.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December 2013		31 December 2012	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
FINANCIAL ASSETS				
Reinsurers' share of outstanding claims	265,096,871	-	256,766,443	-
Premiums and insurance balances receivable	107,482,046	-	93,752,665	-
Due from related parties	51,803,212	-	117,418,062	-
Time deposits	82,000,000	31,100,000	50,257,231	66,132,644
Cash equivalents	95,712,170	20,513,348	42,338,837	532,174
Available for sale investment	1,923,080	-	-	-
Statutory deposit	-	10,000,000	-	10,000,000
Other assets	2,456,902	-	2,757,332	-
	<u>606,474,281</u>	<u>61,613,348</u>	<u>563,290,570</u>	<u>76,664,818</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

24 RISK MANAGEMENT (continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations. For insurance contract liabilities maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	31 December 2013					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL ASSETS						
Reinsurers' share of outstanding claims	265,096,871	-	265,096,871	-	-	-
Premiums and insurance balances receivable	107,482,046	-	107,482,046	-	-	-
Other assets	2,456,902	-	2,456,902	1,243,094	-	1,243,094
Due from related parties	51,803,212	-	51,803,212	-	-	-
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Time deposits	82,000,000	-	82,000,000	31,100,000	-	31,100,000
Cash equivalents	95,712,170	-	95,712,170	20,513,348	-	20,513,348
Available for sale investment	-	1,923,080	1,923,080	-	-	-
TOTAL	604,551,201	1,923,080	606,474,281	52,856,442	10,000,000	62,856,442

	31 December 2013					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL LIABILITIES						
Gross outstanding claims	397,826,663	-	397,826,663	-	-	-
Employees' end of service benefits	-	6,755,639	6,755,639	-	-	-
Reinsurance balances payable	37,921,002	-	37,921,002	-	-	-
Accrued expenses and other liabilities	34,814,795	-	34,814,795	-	-	-
Provision for zakat	-	-	-	1,426,951	-	1,426,951
Accounts payable	-	-	-	859,385	-	859,385
TOTAL	470,562,460	6,755,639	477,318,099	2,286,336	-	2,286,336

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2013

24 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL ASSETS						
Reinsurers' share of outstanding claims	256,766,443	-	256,766,443	-	-	-
Premiums and insurance balances receivable	93,752,665	-	93,752,665	-	-	-
Other assets	2,757,332	-	2,757,332	1,215,881	-	1,215,881
Due from related parties	117,418,062	-	117,418,062	-	-	-
Due from insurance operations	-	-	-	4,911,642	-	4,911,642
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Time deposits	50,257,231	-	50,257,231	66,132,644	-	66,132,644
Cash equivalents	42,338,837	-	42,338,837	532,174	-	532,174
TOTAL	563,240,590	-	563,240,590	72,792,341	10,000,000	82,792,341

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL LIABILITIES						
Gross outstanding claims	336,631,993	-	336,631,993	-	-	-
Due to a related party	331,890	-	331,890	-	-	-
Employees' end of service benefits	-	5,834,597	5,834,597	-	-	-
Reinsurance balances payable	66,703,152	-	66,703,152	-	-	-
Accrued expenses and other liabilities	33,528,418	-	33,528,418	-	-	-
Provision for zakat	-	-	-	2,396,433	-	2,396,433
Accounts payable	-	-	-	1,703,409	-	1,703,409
TOTAL	437,195,453	5,834,597	443,030,050	4,099,842	-	4,099,842

Liquidity profile

None of the liabilities on the statement of financial position are based on discounted cash flows and except employees' end of service benefits, all are contractually payable on a current basis within 1 year.

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.





SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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24 RISK MANAGEMENT (continued)

g) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

h) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

i) Determination of fair value and fair value hierarchy

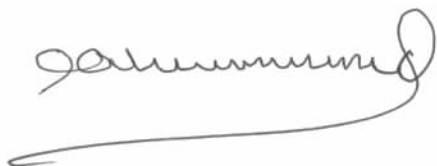
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- 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 year ended 31 December 2013, 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 as of December 31, 2013 by level of the fair value hierarchy.

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale investment	-	-	1,923,080	1,923,080
Total	-	-	1,923,080	1,923,080




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25 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) Bank Guarantee

At 31 December 31, 2013, the Company had contingent liability in the form of bank guarantee amounting to SR 994,272 (31 December 2012: SR 1,042,381).

c) Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SR 2.3 million for the year ended 31 December 2013 (2012: SR 1.8 million) are recognised in the statement of insurance operations.

Future minimum lease payments under the operating lease arrangements as at 31 December are as follows:

Years	<i>31 December</i> 2013 SR	<i>31 December</i> 2012 SR
2013	-	2,308,268
2014	2,043,764	1,993,836
2015	1,996,209	1,801,905
2016	1,948,959	1,531,478
2017	613,207	630,525
	<u>6,602,139</u>	<u>8,266,012</u>

26 NET UNDERWRITING SURPLUS

Net underwriting surplus for the year is as follows:

	<i>31 December</i> 2013 SR	<i>31 December</i> 2012 SR
Net premiums earned	352,826,810	281,738,741
Commission income	54,493,329	57,790,383
Policy acquisition costs	(54,553,992)	(56,302,343)
Net claims incurred	(311,707,371)	(206,258,778)
Net underwriting surplus	<u>41,058,776</u>	<u>76,968,003</u>

27 BASIC AND DILUTED (LOSS) /EARNINGS PER SHARE

Basic and diluted (loss) / earnings per share for the year has been calculated by dividing the net (loss) / income for the year by the ordinary authorised, issued and outstanding shares at the year ended 31 December 2013 of 10 million shares (31 December 2012: 10 million shares) of SR 10 each.

28 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 23 Rabi Al-Thani 1435H (corresponding to 23 February, 2014).