

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE
THREE-MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2013 (UNAUDITED)
AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2013

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

To the shareholders of
AXA Cooperative Insurance Company
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim statement of financial position of AXA Cooperative Insurance Company (a Saudi joint stock company) (the "Company") as at June 30, 2013 and the related interim statements of insurance operations and accumulated surplus, shareholders' income, shareholders' comprehensive income for the three-month and six-month periods then ended and the interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the six-month period ended June 30, 2013 and the 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 (IAS) - 34 "Interim Financial Reporting" 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. The scope of such limited review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Emphasis of matter

We draw attention to Note 2 to the accompanying interim condensed financial statements. These interim condensed financial statements are prepared in accordance with IAS-34 and not in accordance with the Standard of Interim Financial Reporting issued by SOCPA.

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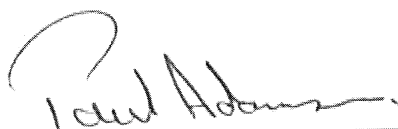



AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		As at, June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
	Note		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents		16,169	74,118
Short-term deposits		165,202	61,142
Premiums and insurance balances receivable		129,776	120,865
Less: Provision for doubtful debts		(17,480)	(18,230)
Premiums and insurance balances receivable - net		112,296	102,635
Available-for-sale investments	3	85,244	54,514
Reinsurers' share of outstanding claims		74,601	92,714
Reinsurers' share of unearned premiums		19,097	24,025
Deferred policy acquisition costs		16,435	14,891
Other assets		11,336	3,763
Receivable from a related party		36,612	22,096
Due from shareholders' operations		2,836	73,894
Long-term deposits		7,500	7,500
Furniture, fixtures and equipment		8,340	8,867
TOTAL INSURANCE OPERATIONS' ASSETS		555,668	540,159
SHAREHOLDERS' ASSETS			
Cash and cash equivalents		595	325
Short-term deposits		112,899	175,069
Available-for-sale investments	3	62,725	63,085
Statutory deposit		20,000	20,000
Other assets		-	3,087
TOTAL SHAREHOLDERS' ASSETS		196,219	261,566
TOTAL ASSETS		751,887	801,725

(Continued)

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.


Member of Board of Directors


Chief Executive Officer


Chief Financial Officer

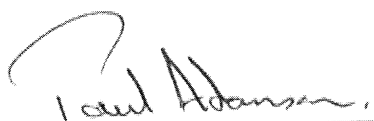
AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION (Concluded)
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	June 30, 2013 (Unaudited)	As at, December 31, 2012 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS			
Reinsurers' balances payable		21,997	36,548
Unearned premiums		208,238	180,584
Outstanding claims		150,147	171,792
Claims incurred but not reported and other reserve		113,933	44,046
		264,080	215,838
Deferred reinsurance commission		3,988	5,263
Accrued and other liabilities		41,616	35,518
Payable to a related party		-	49,730
Employee termination benefits		16,830	15,875
Total insurance operations' liabilities		556,749	539,356
Accumulated surplus from insurance operations		1,603	557
Fair value reserve		(2,684)	246
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS		555,668	540,159
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued zakat and income tax	5	6,620	5,942
Accrued and other liabilities		2,092	1,378
Due to insurance operations		2,836	73,894
Total shareholders' liabilities		11,548	81,214
Shareholders' equity			
Share capital		200,000	200,000
Fair value reserve		744	4,297
Accumulated deficit		(16,073)	(23,945)
Total shareholders' equity		184,671	180,352
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		196,219	261,566
TOTAL INSURANCE OPERATIONS' LIABILITIES AND ACCUMULATED SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		751,887	801,725

CONTINGENCIES

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The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.


Member of Board of Directors



Chief Executive Officer


Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		For three-month period ended June 30,		For six-month period ended June 30,	
	Note	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
REVENUES					
Gross premiums written	4	115,645	106,945	385,990	244,094
Less: Reinsurance premiums ceded	4	(13,828)	(20,754)	(42,943)	(50,368)
Net premiums written		101,817	86,191	343,047	193,726
Changes in unearned premiums		60,724	5,095	(32,580)	(20,363)
Net premiums earned		162,541	91,286	310,467	173,363
Reinsurance commissions	4	3,685	2,750	7,234	5,472
Commission income		1,459	291	2,183	819
Total revenues		167,685	94,327	319,884	179,654
COSTS AND EXPENSES					
Gross claims paid		104,907	95,001	251,719	176,807
Less: Reinsurers' share		(5,368)	(28,839)	(60,115)	(41,658)
Net claims paid		99,539	66,162	191,604	135,149
Changes in outstanding claims		34,768	(5,775)	66,352	(3,523)
Net claims incurred		134,307	60,387	257,956	131,626
Policy acquisition costs		8,797	7,087	17,186	14,470
General and administrative expenses		17,792	14,730	34,285	26,121
Total costs and expenses		160,896	82,204	309,427	172,217
Net surplus from insurance operations		6,789	12,123	10,457	7,437
Shareholders' appropriation of surplus		(6,110)	(11,379)	(9,411)	(6,693)
Net results from insurance operations after appropriation of surplus		679	744	1,046	744
Accumulated surplus, beginning of the period		557	-	557	-
Accumulated surplus, end of the period		1,236	744	1,603	744

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.


Member of Board of Directors



Chief Executive Officer


Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' INCOME
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

Note	For three-month period ended June 30,		For six-month period ended June 30,	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
Net surplus transferred from insurance operations	6,110	11,379	9,411	6,693
Commission income	1,175	3,195	2,841	4,083
General and administrative expenses	(558)	(630)	(590)	(662)
Shareholders' net income for the period	6,727	13,944	11,662	10,114
Weighted average number of outstanding shares	20 million	20 million	20 million	20 million
Basic and diluted earnings per share (Saudi Riyals)	8 0.336	0.700	0.583	0.506

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.


Member of Board of Directors



Chief Executive Officer


Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	For three-month period ended June 30,		For six-month period ended June 30,	
		2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
Shareholders' net income for the period		6,727	13,944	11,662	10,114
Provision for zakat and income tax	5	(2,234)	(3,840)	(3,790)	(5,835)
Net income for the period		4,493	10,104	7,872	4,279
Unrealized (loss) gain on available-for- sale investments	3	(2,708)	1,827	(3,553)	2,185
Total comprehensive income for the period		1,785	11,931	4,319	6,464

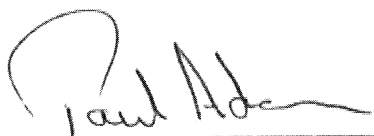
The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.

 Member of Board of Directors	 Chief Executive Officer	 Chief Financial Officer
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AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Share capital	Fair value reserve	Accumulated deficit	Total
<u>Unaudited</u>				
Balance at January 1, 2013	200,000	4,297	(23,945)	180,352
Net income for the period	-	-	7,872	7,872
Changes in fair value reserve on available-for-sale investments	-	(3,553)	-	(3,553)
Balance at June 30, 2013	200,000	744	(16,073)	184,671
<u>Unaudited</u>				
Balance at January 1, 2012	200,000	394	(29,630)	170,764
Net income for the period	-	-	4,279	4,279
Changes in fair value reserve on available-for-sale investments	-	2,185	-	2,185
Balance at June 30, 2012	200,000	2,579	(25,351)	177,228

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.


Member of Board of Directors

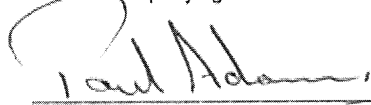

Chief Executive Officer



Chief Financial Officer

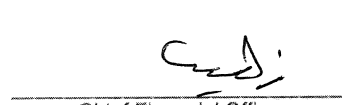
AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

	Note	Six-month period ended	
		June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
Cash flow from operating activities			
Net results from insurance operations		1,046	744
Adjustments to reconcile net results from insurance operations to net cash from operating activities:			
Shareholders' appropriation of surplus from insurance operations		9,411	6,693
Depreciation		1,279	1,518
		<u>11,736</u>	<u>8,955</u>
<u>Changes in operating assets and liabilities:</u>			
Premium and insurance balances receivable - net		(9,661)	13,328
Reinsurers' share of outstanding claims		18,113	(33,562)
Reinsurers' share of unearned premiums		4,928	(834)
Deferred policy acquisition costs		(1,544)	(5,131)
Other assets		(7,573)	(6,000)
Receivable from a related party		(14,516)	14,225
Due from shareholders' operations		61,647	963
Reinsurers' balances payable		(14,551)	(3,430)
Unearned premiums		27,654	21,197
Outstanding claims		(21,645)	28,657
Claims incurred but not reported and other reserve		69,887	1,382
Deferred reinsurance commission		(1,275)	1,411
Accrued and other liabilities		6,098	(4,000)
Payable to a related party		(49,730)	17,393
Employee termination benefits		955	2,236
Net cash provided by operating activities		<u>80,523</u>	<u>56,700</u>
Cash flow from investing activities			
Purchase of furniture, fixtures and equipment		(752)	-
Short-term deposits		(104,060)	(68,569)
Available-for-sale investments	3	(33,660)	(20,258)
Net cash used in investing activities		<u>(138,472)</u>	<u>(88,827)</u>
Net decrease in cash and cash equivalents		<u>(57,949)</u>	<u>(32,127)</u>
Cash and cash equivalents, beginning of period		<u>74,118</u>	<u>90,367</u>
Cash and cash equivalents, end of period		<u>16,169</u>	<u>58,240</u>
<u>Supplemental cash flow information</u>			
<u>Non-cash investing activity</u>			
Unrealized (loss) gain on available-for-sale investments	3	<u>(2,930)</u>	<u>60</u>

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.


Member of Board of Directors

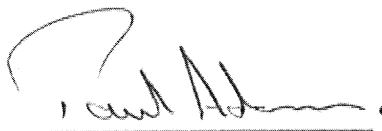

Chief Executive Officer


Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

		Six-month period ended,	
	Note	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
Cash flow from operating activities			
Shareholders' net income for the period		11,662	10,114
Adjustments to reconcile net income to net cash provided by operating activities:			
Appropriation of surplus from insurance operations		(9,411)	(6,693)
		2,251	3,421
<u>Changes in operating assets and liabilities:</u>			
Other assets		3,087	1,413
Zakat and income tax paid		(3,112)	(2,661)
Accrued and other liabilities		714	(459)
Due to insurance operations		(61,647)	(963)
Net cash (used in) provided by operating activities		(58,707)	751
Cash flow from investing activities			
Short-term deposits		62,170	(92,305)
Available-for-sale investments, net	3	(3,193)	(32,120)
Net cash provided by (used in) investing activities		58,977	(124,425)
Net change in cash and cash equivalents		270	(123,674)
Cash and cash equivalents, beginning of period		325	129,880
Cash and cash equivalents, end of period		595	6,206
<u>Supplemental cash flow information</u>			
Non-cash financing activities			
• Zakat and income tax charged to shareholders' comprehensive income	5	(3,790)	(5,835)
Non-cash Investing activity:			
• Unrealized (loss) gain on available-for- sale investments	3	(3,553)	2,185

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.


Member of Board of Directors


Chief Executive Officer


Chief Financial Officer

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30 2013
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

1 General information

AXA Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in the Kingdom of Saudi Arabia by the Royal Decree No. M/36 dated 27 Jumada II 1429H (July 1, 2008) (date of inception). The Company was incorporated vide Ministerial Order No Q/192, dated 10 Jumada II 1430H, (June 3, 2009) (date of ministerial resolution). The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010271203 issued in Riyadh on 20 Rajab 1430H (July 13, 2009). The Company's registered address is P.O. Box 753, Riyadh 11421, Kingdom of Saudi Arabia.

The principal activities of the Company are to engage in cooperative insurance operations and all related activities including reinsurance activities under the Law on Supervision of Co-operative Insurance Companies (the "Law") and the Company's bye-law and other regulations promulgated in the Kingdom of Saudi Arabia. The Company obtained licence from the Saudi Arabian Monetary Agency ("SAMA") to practice general and medical insurance and reinsurance business in the Kingdom of Saudi Arabia vide licence No. TMN/25/2010, dated 11 Safar 1431H (corresponding to January 26, 2010). The Company has commenced insurance operations on 4 Rabi' I 1431H (corresponding to February 18, 2010) after obtaining full product approval for certain products and temporary approval for the remaining products. Currently, the Company is in the process of obtaining full product approval for the remaining products from the regulators. Management believes that such approvals will be obtained in due course.

Portfolio transfer

The shareholders' of the AXA Insurance (Saudi Arabia) B.S.C. (c) (the 'Seller'), at the time of formation of the Company, had principally agreed to transfer certain of the Seller's assets and liabilities and the insurance portfolio (the "Transfer") in Saudi Arabia to the Company with effect from January 1, 2009, subject to approval and at a value to be determined by SAMA.

On 15 Dhul-Qadah 1433H (corresponding to October 1, 2012), SAMA approved the transfer, with effect from January 1, 2009, at a maximum consideration of Saudi Riyals 106.57 million. Consequent to SAMA's approval, the Company has formally entered into a purchase agreement with the shareholders' of the Seller to effect the transfer. Also, the shareholders of the Company have approved the portfolio transfer at their Extra Ordinary General Assembly Meeting held on December 10, 2012.

The Company previously issued a set of interim condensed financial statements for the three-month and six-month periods ended June 30, 2012 ("previous set of interim condensed financial statements"), without including the effects of the Transfer, as the process to transfer the insurance portfolio of the Seller to the Company was not completed as of the date of issuance of previous set of interim condensed financial statements. Consequent to the approvals from SAMA and the shareholders of the Company, the Company acquired the insurance portfolio and the net assets of the Seller with effect from January 1, 2009. Therefore, management of the Company has withdrawn previous set of interim condensed financial statements and reissued those after taking into account the effects of the Transfer. Accordingly, the 2012 comparative financial information presented in the accompanying interim condensed financial statements have been provided as per the reissued interim condensed financial statements.

2 Significant accounting policies

Significant accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies are consistently applied for all period presented.

2.1 Basis of preparation

The Company has prepared its interim condensed financial statements for the three-month and six-month periods ended June 30, 2013 and 2012 under the historical cost convention on the accrual basis of accounting, as modified for the revaluation of available-for-sale investments at their fair values in the statement of financial position of insurance operations and shareholders' comprehensive operations, and in conformity with International Accounting Standard (IAS) 34 – "Interim Financial Reporting". Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the Kingdom of Saudi Arabia, i.e. in accordance with Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

As required by the Law, the Company maintains separate accounts for insurance operations and shareholders' operations. The physical custody and title 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 expenses from joint operations is determined by management and the Board of Directors of the Company.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30 2013
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

As per the by-laws of the Company, surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations' accumulated surplus	10%
	<u>100%</u>

Distribution of surplus arising from insurance operations, if any, is made at the end of each financial year considering the results of insurance operations for the complete year. Distribution in the accompanying financials for the three-month and six-month periods ended June 30, 2013 and 2012 is made considering the results of operations for three-month and six-month periods ended June 30, 2013 and 2012 only and subject to adjustments at the end of the year.

The accompanying interim condensed financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Company's management to present a fair statement of the financial position, results of operations and cash flows.

2.2 Accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual audited financial statements as at and for the year ended December 31, 2012, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which had no significant financial impact on the interim condensed financial statements of the Company. These interim condensed financial statements should therefore be read in conjunction with the audited financial statements for the year ended December 31, 2012. The Company's interim results may not be indicative of its annual results.

<u>Standard</u>	<u>Description</u>
Amendments to IAS 1	Presentation of Financial Statements
Amendments to IAS 19	Employee benefits
Amendments to IFRS 7	Financial instruments: Disclosures on asset and liability offsetting
Amendments to IFRS 1	'First time adoption' on government loans
Amendments to IFRS 10, 11 and 12	Transition guidance
IFRIC 20	Stripping cost in the production phase of surface mine
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in other entities
IFRS 13	Fair Value Measurement
IAS 27	Separate financial statements

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing on or after January 1, 2014:

<u>Standard</u>	<u>Description</u>
Amendments to IAS 32	Financial instruments: Presentation on asset and liability off-setting
Amendments to IFRS 9	Financial instruments

2.3 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's financial statements present fairly, in all material respects, the financial position and results of operations.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30 2013
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

2.4 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) which is subject to risk and reward that are different from those of other segments. Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below:

- Segment assets do not include premiums and insurance balances receivable, furniture, fixtures and equipment, other assets, receivable from a related party, long-term deposits, available-for-sale investments and due from shareholders' operations and;
- Segment liabilities do not include reinsurers' balances payable, accrued and other liabilities, payable to a related party and employee termination benefits.

For management purposes, the Company is organized into business units based on their products and services and has the following reportable segments:

- Accident and liability;
- Motor;
- Property;
- Marine;
- Engineering;
- Health; and
- Protection

3 Available-for-sale investments

As at and for the six-month period ended June 30, 2013 (Unaudited)

	Insurance operations	Shareholders' operations
Balance, January 1, 2013	54,514	63,085
Purchases, net	33,660	3,193
Unrealized loss	(2,930)	(3,553)
Balance, June 30, 2013	85,244	62,725

As at and for the year ended December 31, 2012 (Audited)

	Insurance operations	Shareholders' operations
Balance, January 1, 2012	40,878	12,948
Purchases, net	20,258	46,234
Transfer to a related party	(7,351)	-
Unrealized gain	729	3,903
Balance, December 31, 2012	54,514	63,085

These represent investments in publicly traded sukuk bonds and certain other publicly traded equity securities issued by various Saudi Arabian companies.

Available-for-sale investments at June 30, 2013 include 1,923,078 shares (2012: 1,923,078) in Najam for Insurance Services, and are held by the Company at Nil value.

AXA COOPERATIVE INSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30 2013
(All amounts expressed in Saudi Riyals thousands unless otherwise stated)

4 Related party transactions and balances

a) Related party transactions

	For three-month period ended June 30,		For six-month period ended June 30,	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
Gross premiums written	5,675	4,895	13,178	12,918
Reinsurance ceded	11,806	10,202	29,201	24,176
Reinsurance commissions	1,205	1,429	3,319	3,385
Expenses charged by related parties	734	635	1,043	1,355
Directors remunerations	558	630	590	662
Key management personnel	1,417	1,524	2,886	2,618

b) Related party balances

Receivable from a related party at June 30, 2013 and December 31, 2012 represents amount receivable from the Seller.

5 Zakat and income tax matters

Components of zakat base

Significant components of zakat base of the Company principally comprise of shareholders' equity at the beginning of the period, adjusted net income and certain other items.

Provision for zakat and income tax

Provision for zakat has been made at 2.5% of approximate zakat base attributable to the Saudi shareholders of the Company.

Provision for income tax has been made at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

Status of zakat and income tax

The Company had received a final zakat certificate for the year ended December 31, 2010. The Company has revised the provision for zakat and income tax to reflect the effect of the transfer and is in the process of submitting the revised returns for the period / years ended December 31, 2009, 2010 and 2011 after taking into account the effect of portfolio transfer.

6 Statutory reserve

In accordance with the Law on Supervision of Cooperative Insurance Companies, the Company is required to transfer not less than 20% of its annual profits to a statutory reserve until such reserve amounts to 100% of the capital of the Company. No transfer has been made during the period due to accumulated deficit at the period end.

7 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair values of the Company's financial instruments are not materially different from their carrying values.

The Company's financial assets consist of cash and cash equivalents, premium and insurance balances receivables, investments, accrued income and financial liabilities consisting of payables and accrued expenses.

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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 prices in active markets for the identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments at their fair values as at June 30, 2013 and December 31, 2012 based on the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2013				
Available-for-sale investments:				
Insurance operations	85,244	-	-	85,244
Shareholders' operations	62,725	-	-	62,725
2012				
Available-for-sale investments:				
Insurance operations	54,514	-	-	54,514
Shareholders' operations	63,085	-	-	63,085

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (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 and six-month periods ended June 30, 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.

8 Earnings per share

Basic and diluted earnings per share for three-month and six-month periods ended June 30, 2013 and 2012 has been computed by dividing the shareholders' net income for the periods by the weighted average number of shares outstanding during such periods.

9 Contingencies

Contingent consideration payable to the Seller

As stated in Note 1, the Company acquired the insurance portfolio from the Seller at a consideration based on SAMA's instructions. Settlement of such consideration can only be made upon fulfilling certain conditions dictated by SAMA which include, among others, the following:

- Maintenance of required solvency margin and minimum share capital;
- Restriction on repayment upto a maximum of 50% of the profit earned in the current year;
- Restriction on settlement in the year of loss or out of retained earnings; and
- Limitation on duration within which payment of consideration can be made.

Considering the above conditions, restated financial performance and the Company's future business plans, management believes that the Company will not be required to pay the consideration. Accordingly, the consideration of Saudi Riyals 106.57 million is disclosed as a contingent liability. Management will however, reassess the conditions for settlement of the consideration at each balance sheet date during the period in which payment can be made and will recognize a liability, if required.

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10 Segment reporting

Insurance operations for the three-month period ended June 30, 2013 and 2012 (Unaudited)

	General and medical									
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
2013										
Gross premiums written	7,046	15,950	9,019	11,492	8,247	(572)	61,088	112,270	3,375	115,645
Less: reinsurance premiums ceded	(1,222)	1,811	(5,218)	(5,246)	(3,904)	(132)	(81)	(13,992)	164	(13,828)
Net premiums written	5,824	17,761	3,801	6,246	4,343	(704)	61,007	98,278	3,539	101,817
Changes in unearned premiums	226	60,189	(345)	(687)	(1,422)	(444)	1,405	58,922	1,802	60,724
Net premiums earned	6,050	77,950	3,456	5,559	2,921	(1,148)	62,412	157,200	5,341	162,541
Reinsurance commissions	250	-	1,538	1,139	262	-	142	3,331	354	3,685
Total revenue	6,300	77,950	4,994	6,698	3,183	(1,148)	62,554	160,531	5,695	166,226
Gross claims paid	856	42,701	3,355	1,804	2,187	(272)	51,686	102,317	2,590	104,907
Less: reinsurers' share	(2)	-	(2,784)	(541)	(1,093)	-	(791)	(5,211)	(157)	(5,368)
Net claims paid	854	42,701	571	1,263	1,094	(272)	50,895	97,106	2,433	99,539
Changes in outstanding claims	1,516	19,884	5,344	65	191	201	6,615	33,816	952	34,768
Net claims incurred	2,370	62,585	5,915	1,328	1,285	(71)	57,510	130,922	3,385	134,307
Policy acquisition costs	672	1,270	1,353	1,082	810	(74)	3,304	8,417	380	8,797
Operating and administrative salaries	335	2,509	305	1,683	650	160	7,721	13,363	52	13,415
Other general and administrative expenses	100	912	891	182	70	48	1,746	3,949	428	4,377
Total costs and expenses	3,477	67,276	8,464	4,275	2,815	63	70,281	156,651	4,245	160,896
Suplus from insurance operations										5,330
Commission income										1,459
Net surplus from insurance operations										6,789
Shareholders' appropriation of surplus from insurance operations										(6,110)
Net results from insurance operations' after appropriation of surplus										679

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10 Segment reporting continued

2012	General and medical							Total	Protection	Grand Total
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health			
Gross premiums written	6,844	16,149	10,960	10,235	11,645	719	47,020	103,572	3,373	106,945
Less: Reinsurance premiums ceded	(1,632)	(206)	(6,790)	(4,254)	(6,649)	(22)	(783)	(20,336)	(418)	(20,754)
Net premiums written	5,212	15,943	4,170	5,981	4,996	697	46,237	83,236	2,955	86,191
Changes in unearned premiums	(1,302)	(2,879)	(793)	(261)	(1,711)	(46)	12,052	5,060	35	5,095
Net premiums earned	3,910	13,064	3,377	5,720	3,285	651	58,289	88,296	2,990	91,286
Reinsurance commissions	5	5	2,607	904	84	(22)	(638)	2,945	(195)	2,750
Total revenues	3,915	13,069	5,984	6,624	3,369	629	57,651	91,241	2,795	94,036
Gross claims paid	81	9,210	29,659	4,043	936	251	47,889	92,069	2,932	95,001
Less: Reinsurers' share	-	(20)	(25,360)	(2,769)	(21)	(6)	(795)	(28,971)	132	(28,839)
Net claims paid	81	9,190	4,299	1,274	915	245	47,094	63,098	3,064	66,162
Changes in outstanding claims	(450)	625	(1,311)	(1,622)	(6,085)	(318)	5,152	(4,009)	(1,766)	(5,775)
Net claims incurred	(369)	9,815	2,988	(348)	(5,170)	(73)	52,246	59,089	1,298	60,387
Policy acquisition costs	350	2,284	1,353	964	1,128	(2)	946	7,023	64	7,087
Operating and administrative salaries	688	1,873	1,203	1,040	1,109	73	5,140	11,126	383	11,509
Other general and administrative expenses	181	554	342	276	278	20	1,454	3,105	116	3,221
Total costs and expenses	850	14,526	5,886	1,932	(2,655)	18	59,786	80,343	1,861	82,204
Deficit from insurance operations										11,832
Commission income										291
Surplus from insurance operations										12,123
Shareholders' appropriation of surplus from insurance operations										(11,379)
Net results from insurance operations' after appropriation of surplus										744

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Segment reporting continued

Insurance operations for the six-month period ended June 30, 2013 and 2012 (Unaudited)

	General and medical									
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
2013										
Gross premiums written	11,714	166,556	26,991	20,799	14,704	1,634	131,106	373,504	12,486	385,990
Less: reinsurance premiums ceded	(2,257)	(364)	(17,033)	(9,591)	(7,883)	(177)	(3,645)	(40,950)	(1,993)	(42,943)
Net premiums written	9,457	166,192	9,958	11,208	6,821	1,457	127,461	332,554	10,493	343,047
Changes in unearned premiums	(893)	(17,869)	(3,545)	535	(1,415)	(412)	(5,652)	(29,251)	(3,329)	(32,580)
Net premiums earned	8,564	148,323	6,413	11,743	5,406	1,045	121,809	303,303	7,164	310,467
Reinsurance commissions	514	-	3,130	2,429	527	-	280	6,880	354	7,234
Total revenue	9,078	148,323	9,543	14,172	5,933	1,045	122,089	310,183	7,518	317,701
Gross claims paid	1,161	57,488	75,143	3,779	3,450	53	104,961	246,035	5,684	251,719
Less: reinsurers' share	(2)	-	(52,688)	(1,104)	(1,617)	-	(2,300)	(57,711)	(2,404)	(60,115)
Net claims paid	1,159	57,488	22,455	2,675	1,833	53	102,661	188,324	3,280	191,604
Changes in outstanding claims	3,358	67,986	(15,151)	(634)	(507)	(33)	8,120	63,139	3,213	66,352
Net claims incurred	4,517	125,474	7,304	2,041	1,326	20	110,781	251,463	6,493	257,956
Policy acquisition costs	996	2,552	2,693	1,670	1,404	101	6,129	15,545	1,641	17,186
Operating and administrative salaries	658	4,925	599	3,303	1,276	314	15,154	26,229	102	26,331
Other general and administrative expenses	182	1,658	1,619	331	127	87	3,172	7,176	778	7,954
Total costs and expenses	6,353	134,609	12,215	7,345	4,133	522	135,236	300,413	9,014	309,427
Suplus from insurance operations										8,274
Commission income										2,183
Net surplus from insurance operations										10,457
Shareholders' appropriation of surplus from insurance operations										(9,411)
Net results from insurance operations' after appropriation of surplus										1,046

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10 Segment reporting continued

2012	General and medical								Protection	Grand Total
	Accident and Liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total		
Gross premiums written	12,538	45,230	26,408	19,445	17,492	1,342	111,944	234,399	9,695	244,094
Less: Reinsurance premiums ceded	(2,669)	(516)	(22,120)	(7,826)	(9,838)	(167)	(3,898)	(47,034)	(3,334)	(50,368)
Net premiums written	9,869	44,714	4,288	11,619	7,654	1,175	108,046	187,365	6,361	193,726
Changes in unearned premiums	(1,936)	(19,724)	(3,208)	256	(2,088)	16	8,118	(18,566)	(1,797)	(20,363)
Net premiums earned	7,933	24,990	1,080	11,875	5,566	1,191	116,164	168,799	4,564	173,363
Reinsurance commissions	146	7	3,977	1,876	190	(25)	(452)	5,719	(247)	5,472
Total revenues	8,079	24,997	5,057	13,751	5,756	1,166	115,712	174,518	4,317	178,835
Gross claims paid	507	20,263	41,753	6,114	2,870	624	100,033	172,164	4,643	176,807
Less: Reinsurers' share	-	(33)	(34,656)	(3,833)	(1,027)	(96)	(2,013)	(41,658)	-	(41,658)
Net claims paid	507	20,230	7,097	2,281	1,843	528	98,020	130,506	4,643	135,149
Changes in outstanding claims	(418)	(3,009)	(1,321)	(112)	(1,178)	(507)	5,524	(1,021)	(2,502)	(3,523)
Net claims incurred	89	17,221	5,776	2,169	665	21	103,544	129,485	2,141	131,626
Policy acquisition costs	797	3,408	2,142	1,770	1,634	315	3,830	13,896	574	14,470
Operating and administrative salaries	1,094	3,945	2,304	1,696	1,526	117	9,765	20,447	834	21,281
Other general and administrative expenses	248	897	524	385	347	27	2,220	4,648	192	4,840
Total costs and expenses	2,228	25,471	10,746	6,020	4,172	480	119,359	168,476	3,741	172,217
Deficit from insurance operations										6,618
Commission income										819
Surplus from insurance operations										7,437
Shareholders' appropriation of surplus from insurance operations										(6,693)
Net result for the period										744

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10 Segment reporting continued

Insurance operations' financial position as at June 30, 2013 (Unaudited) and December 31, 2012 (Audited)

	General and medical									
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
2013										
<u>Insurance operations' assets</u>										
Reinsurers' share of outstanding claims	3,280	(1,433)	56,061	4,134	9,770	(210)	511	72,113	2,488	74,601
Reinsurers' share of unearned premiums	1,654	12	9,002	2,248	3,268	62	1,839	18,085	1,012	19,097
Deferred policy acquisition costs	790	2,634	2,113	423	947	85	9,443	16,435	-	16,435
Unallocated assets										445,535
Total insurance operations' assets										555,668
<u>Insurance operations' liabilities and accumulated surplus</u>										
Unearned premiums	9,999	34,011	18,495	5,237	12,616	912	118,869	200,139	8,099	208,238
Outstanding claims	7,092	102,378	63,821	12,331	12,291	45	58,286	256,244	7,836	264,080
Deferred reinsurance commission	162		1,315	586	423		1,194	3,680	308	3,988
Unallocated liabilities										79,362
Total insurance operations' liabilities and accumulated surplus										555,668

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10 Segment reporting continued

	General and medical									
	Accident and liability	Motor	Property	Marine	Engineering	Other general insurance	Health	Total	Protection	Grand Total
2012										
<u>Insurance operations' assets</u>										
Reinsurers' share of outstanding claims	3,602	3,730	63,993	4,879	14,376	(538)	1,150	91,192	1,522	92,714
Reinsurers' share of unearned premiums	1,940	22	14,669	2,621	3,724	864	-	23,840	185	24,025
Deferred policy acquisition costs	831	1,650	1,329	818	992	(126)	9,039	14,533	358	14,891
Unallocated assets										408,529
Total insurance operations' assets										540,159
<u>Insurance operations' liabilities</u>										
Unearned premiums	5,878	16,152	20,591	6,100	11,685	4,587	111,657	176,650	3,934	180,584
Outstanding claims	2,694	38,263	91,631	18,079	15,345	(479)	47,286	212,819	3,019	215,838
Reinsurance share of deferred acquisition costs	472	-	1,772	747	660	140	909	4,700	563	5,263
Unallocated liabilities										138,474
Total insurance operations' liabilities and accumulated surplus										540,159

11 Date of approval

These interim condensed financial statements were approved by the Company's Board of Directors on July 18, 2013.