

**SANAD COOPERATIVE INSURANCE AND  
REINSURANCE COMPANY  
(A Saudi Joint Stock Company)  
INTERIM CONDENSED FINANCIAL STATEMENTS  
For the three months period ended 31 March 2014  
together with the  
Independent auditors' limited review report**



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**Aldar Audit Bureau**

Abdullah Al Basri & Co.

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

**SCOPE OF REVIEW:**

We have reviewed the accompanying interim statement of financial position of Sanad Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 March 2014 and the related interim statements of comprehensive income of insurance operations and shareholders' operations, the interim statements of changes in shareholders' equity, cash flows of insurance operations and shareholders operations for the three months period then ended and the related notes from 1 to 11 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard-34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION:**

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

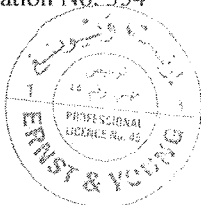
**EMPHASIS OF MATTERS:**

Without qualifying our opinion, we draw attention to the following:

1. As set out in note 2.2 to the interim condensed financial statements; the Company's accumulated losses as at 31 March 2014 amounted to SR 149.55 million, which represents 74.77% of the share capital of the Company. Article 148 of the Saudi Arabian Regulations for Companies requires that in situations where accumulated losses are in excess of 75% of the share capital, the Company's Board of Directors must call for an extraordinary general assembly of the Company's shareholders to consider the financial situation of the Company and resolve to continue the operations of the Company; and
2. The accompanying interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

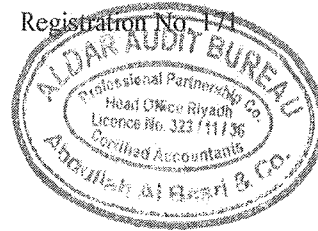
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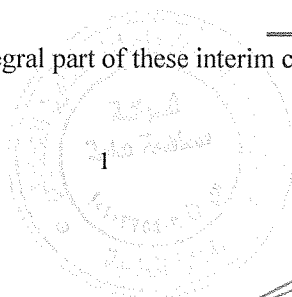
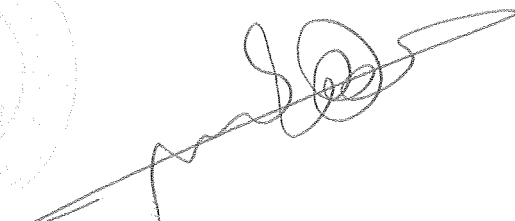


15 Jumad Al Thani, 1435H  
(15 April 2014)

**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2014  
*(Amount in Saudi Riyals)*

	<i>Note</i>	<b>31 March 2014 (Unaudited)</b>	<b>31 December 2013 (Audited)</b>
<b>ASSETS</b>			
<b><u>Assets - insurance operations</u></b>			
Cash and cash equivalents		74,969,827	78,582,401
Premiums receivable, net	7	91,911,167	65,008,738
Reinsurers' balance receivable, net	8	2,782,612	1,295,054
Reinsurers' share of outstanding claims and other technical reserves	6	19,375,886	23,618,391
Reinsurers' share of unearned premium		28,266,451	14,779,480
Deferred policy acquisition cost		12,583,237	9,620,528
Due from shareholders' operations		31,902,705	18,791,296
Prepayments and other assets		13,237,887	13,940,215
Property and equipment, net		4,424,564	4,462,452
<b>Total assets - insurance operations</b>		<b>279,454,336</b>	<b>230,098,555</b>
<b><u>Assets - shareholders' operations</u></b>			
Cash and bank balances		31,798,674	31,568,966
Statutory deposit		21,077,351	21,077,351
Investments - available for sale	5	45,895,858	44,060,370
Loan receivable		--	500,000
Prepayments and other assets		1,871,103	1,448,663
<b>Total assets - shareholders' operations</b>		<b>100,642,986</b>	<b>98,655,350</b>
<b>TOTAL ASSETS</b>		<b>380,097,322</b>	<b>328,753,905</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b><u>Liabilities - insurance operations</u></b>			
Unearned premium reserve		123,800,936	98,754,524
Reinsurers' balances payable		10,761,841	3,065,270
Accrued expenses and other liabilities		44,371,093	31,814,206
Outstanding claims and other technical reserves	6	91,873,996	88,763,481
Unearned commission income		5,231,017	4,130,018
End-of-service indemnities		3,415,453	3,571,056
<b>Total liabilities - insurance operations</b>		<b>279,454,336</b>	<b>230,098,555</b>
<b><u>Liabilities - shareholders' operations</u></b>			
Accrued expenses and other liabilities		364,526	364,525
Zakat payable		10,909,254	10,271,155
Due to insurance operations		31,902,705	18,791,296
<b>Total liabilities - shareholders' operations</b>		<b>43,176,485</b>	<b>29,426,976</b>
<b>Total liabilities</b>		<b>322,630,821</b>	<b>259,525,531</b>
<b><u>Shareholders' equity</u></b>			
Share capital		200,000,000	200,000,000
Accumulated deficit		(149,547,772)	(135,950,411)
Investment revaluation reserve	5	7,014,273	5,178,785
<b>Total shareholders' equity</b>		<b>57,466,501</b>	<b>69,228,374</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>380,097,322</b>	<b>328,753,905</b>

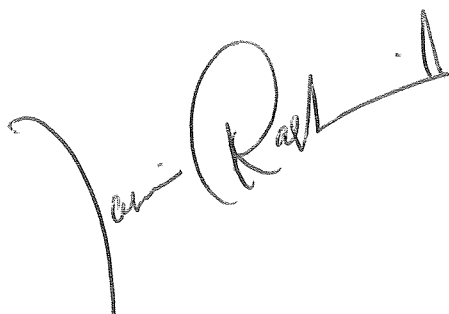
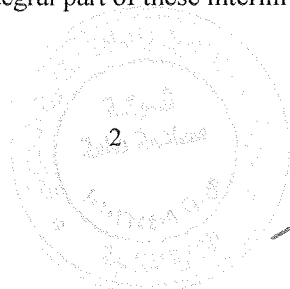
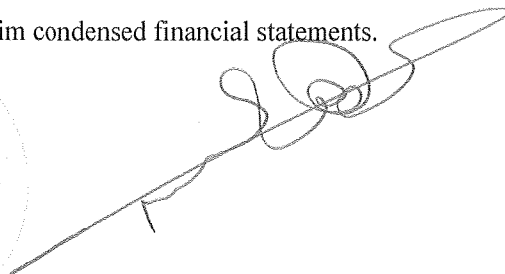
The accompanying notes 1 to 11 form an integral part of these interim condensed financial statements.

**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS**  
*(Amount in Saudi Riyals)*

<u>Note</u>	<b>Three Months ended 31 March 2014 (Unaudited)</b>	<b>Three Months ended 31 March 2013 (Unaudited)</b>
Gross insurance premiums written	76,680,640	80,810,631
Gross inward reinsurance premiums written	8,261	101,092
<b>Total gross written premium</b>	<b>76,688,901</b>	<b>80,911,723</b>
Reinsurance premiums ceded	<b>(20,113,210)</b>	<b>(21,812,927)</b>
<b>Net written premiums</b>	<b>56,575,691</b>	<b>59,098,796</b>
Changes in unearned premiums	<b>(25,046,413)</b>	<b>(34,270,000)</b>
Changes in reinsurance unearned premiums	<b>13,486,971</b>	<b>5,783,714</b>
<b>Net earned premiums</b>	<b>45,016,249</b>	<b>30,612,510</b>
Reinsurance commission	<b>4,266,712</b>	<b>3,718,319</b>
Policy fee / (reversal), net	<b>61,745</b>	<b>(60,241)</b>
<b>Underwriting revenue</b>	<b>49,344,706</b>	<b>34,270,588</b>
Gross claims paid	<b>(36,213,881)</b>	<b>(33,561,635)</b>
Reinsurance share of claims paid	<b>8,670,460</b>	<b>6,691,391</b>
<b>Net claims paid</b>	<b>(27,543,421)</b>	<b>(26,870,244)</b>
Net changes in outstanding claim reserve	<b>(7,116,873)</b>	<b>5,428,451</b>
Net changes in other technical reserve	<b>(236,147)</b>	<b>2,879,349</b>
<b>Net claims incurred</b>	<b>(34,896,441)</b>	<b>(18,562,444)</b>
Policy acquisition costs	<b>(6,661,273)</b>	<b>(5,032,452)</b>
Other underwriting expenses, net	<b>(2,270,405)</b>	<b>(1,043,351)</b>
Impairment allowance against doubtful receivables, net	<b>(129,866)</b>	<b>(91,841)</b>
Impairment allowance against salvage recoveries	<b>(7,251,730)</b>	<b>--</b>
<b>Underwriting expenses</b>	<b>(51,209,715)</b>	<b>(24,730,088)</b>
<b>Underwriting results</b>	<b>(1,865,009)</b>	<b>9,540,500</b>
General and administration expenses	<b>(11,339,475)</b>	<b>(10,197,734)</b>
<b>Loss from insurance operations</b>	<b>(13,204,484)</b>	<b>(657,234)</b>
Gain on sale of property and equipment	<b>123</b>	<b>9,950</b>
Other income	<b>80,125</b>	<b>74,333</b>
<b>Net loss from insurance operations</b>	<b>(13,124,236)</b>	<b>(572,951)</b>
Other comprehensive income	<b>--</b>	<b>--</b>
<b>Total comprehensive loss from insurance operations</b>	<b>(13,124,236)</b>	<b>(572,951)</b>
Transfer of comprehensive loss to shareholders' operations	<b>13,124,236</b>	<b>572,951</b>
<b>Net results for the period</b>	<b>--</b>	<b>--</b>

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

**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS' OPERATIONS**  
*(Amount in Saudi Riyals)*

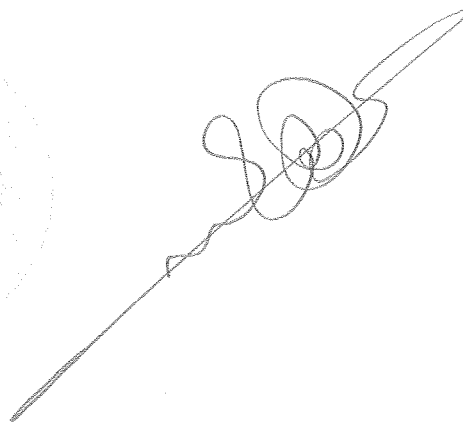
<u>Note</u>	Three Months ended 31 March 2014 (Unaudited)	Three Months ended 31 March 2013 (Unaudited)
<b>INCOME</b>		
Commission income	131,725	138,457
Dividend income from investments	429,464	416,172
Gain on sale of investments	--	10,070,314
	<b>561,189</b>	<b>10,624,943</b>
<b>EXPENSES</b>		
Transfer of loss from insurance operations	(13,124,236)	(572,951)
General and administration expenses	(396,215)	(489,910)
<b>NET (LOSS) / INCOME FOR THE PERIOD BEFORE ZAKAT</b>	<b>(12,959,262)</b>	<b>9,562,082</b>
Zakat	(638,099)	(738,818)
<b>NET (LOSS) / INCOME FOR THE PERIOD AFTER ZAKAT</b>	<b>(13,597,361)</b>	<b>8,823,264</b>
<i>Other comprehensive income:</i>		
<i>Items that are or may be reclassified subsequently to statement of income: 5</i>		
Changes in fair value of available for sale investments, net	1,835,488	1,765,624
<i>Transferred to statement of income:</i>		
On sale of available for sale investments	--	(10,070,314)
	<b>1,835,488</b>	<b>(8,304,690)</b>
<b>Total comprehensive (loss) / income for the period</b>	<b>(11,761,873)</b>	<b>518,574</b>
Basic and diluted (loss) / earnings per share	<b>(0.68)</b>	<b>0.44</b>
Weighted average number of shares in issue	<b>20,000,000</b>	<b>20,000,000</b>

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

**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014**  
*(Amount in Saudi Riyals)*

	<u>Share capital</u>	<u>Accumulated deficit</u>	<u>Investment revaluation reserve</u>	<u>Total</u>
<b>2014</b>				
Balance at 1 January 2014	200,000,000	(135,950,411)	5,178,785	69,228,374
Net loss for the period	--	(13,597,361)	--	(13,597,361)
Other comprehensive income for the period	--	--	1,835,488	1,835,488
<b>Balance at 31 March 2014</b>	<b><u>200,000,000</u></b>	<b><u>(149,547,772)</u></b>	<b><u>7,014,273</u></b>	<b><u>57,466,501</u></b>
<b>2013</b>				
Balance at 1 January 2013	200,000,000	(105,306,937)	11,409,590	106,102,653
Net income for the period	--	8,823,264	--	8,823,264
Other comprehensive loss for the period	--	--	(8,304,690)	(8,304,690)
Balance at 31 March 2013	<u>200,000,000</u>	<u>(96,483,673)</u>	<u>3,104,900</u>	<u>106,621,227</u>





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

**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)**  
*(Amount in Saudi Riyals)*

	Three Months ended 31 March 2014 (Unaudited)	Three Months ended 31 March 2013 (Unaudited)
<b>Operating Activities</b>		
Net results for the period	--	--
<i>Adjustments for non-cash items:</i>		
Transfer of loss to shareholders' operations	(13,124,236)	(572,951)
Impairment allowance against salvage recoveries	7,251,730	--
Depreciation	530,691	417,264
Provision for employees' end of service benefits	127,684	338,257
Impairment allowance against doubtful receivables, net	119,474	91,841
Gain on sale of property and equipment	(123)	(9,950)
<b>Changes in operating assets and liabilities:</b>		
Premiums receivable	(27,118,731)	(25,853,245)
Deferred policy acquisition costs	(2,962,709)	(3,537,504)
Prepayments and other assets	(6,549,403)	(1,974,498)
Unearned premium reserves, net	11,559,441	28,486,286
Unearned commission income	1,100,999	1,761,476
Reinsurers' balances payable	7,696,571	8,567,468
Accrued expenses and other liabilities	12,556,887	(3,348,400)
Outstanding claims and other technical reserves, net	7,353,020	(8,307,800)
Reinsurance balance receivable	(1,390,731)	(44,902)
<b>Cash (used in ) / from operating activities</b>	<b>(2,849,436)</b>	<b>3,032,751</b>
Employees' end of service benefits paid	(283,287)	(33,671)
<b>Net cash (used in ) / from operating activities</b>	<b>(3,132,723)</b>	<b>2,999,080</b>
<b>Investing Activities</b>		
Additions to property and equipment	(495,580)	(416,130)
Consideration received from sale of property and equipment	2,902	9,950
<b>Net cash used in investing activities</b>	<b>(492,678)</b>	<b>(406,180)</b>
<b>Financing Activity</b>		
Due to shareholders' operations	12,827	7,019,409
<b>Net cash from financing activity</b>	<b>12,827</b>	<b>7,019,409</b>
<b>Net changes in cash and cash equivalents</b>	<b>(3,612,574)</b>	<b>2,592,900</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>78,582,401</b>	<b>65,479,976</b>
<b>Cash and cash equivalents, end of the period</b>	<b>74,969,827</b>	<b>68,072,876</b>

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

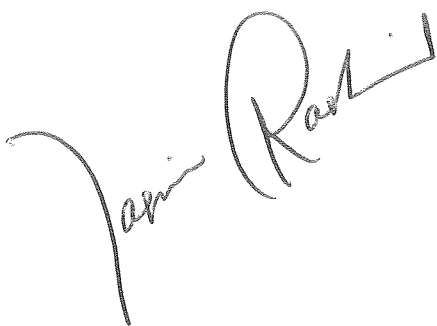
*Yasir Khan*

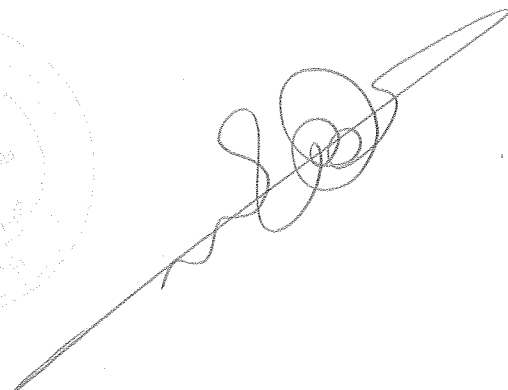


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**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)**  
*(Amount in Saudi Riyals)*

	<b>Three Months ended 31 March 2014 (Unaudited)</b>	<b>Three Months ended 31 March 2013 (Unaudited)</b>
<b>Operating Activities</b>		
Net (loss) / income for the period before zakat	(12,959,262)	9,562,082
<i>Adjustments for non-cash items:</i>		
Transfer of loss from insurance operations	13,124,236	572,951
Gain on sale of investments	--	(10,070,314)
<b>Changes in operating assets and liabilities:</b>		
Accrued expenses and other liabilities	--	(160,499)
Prepayments and other assets	(422,439)	(387,400)
<b>Net cash used in operating activities</b>	<b>(257,465)</b>	<b>(7,502,589)</b>
<b>Investing Activities</b>		
Purchase of investments	--	(19,575,283)
Disposal of investments	--	19,500,400
<b>Net cash used in investing activities</b>	<b>--</b>	<b>(74,883)</b>
<b>Financing Activities</b>		
Due from insurance operations	(12,827)	(7,019,409)
Collection of loan receivable	500,000	--
<b>Net cash from financing activities</b>	<b>487,173</b>	<b>--</b>
<b>Net changes in cash and cash equivalents</b>	<b>229,708</b>	<b>(7,577,472)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>31,568,966</b>	<b>49,940,289</b>
<b>Cash and cash equivalents, end of the period</b>	<b>31,798,674</b>	<b>42,362,817</b>
<b>Non - cash supplemental information:</b>		
Change in fair value of investments - available for sale	<b>1,835,488</b>	<b>1,765,624</b>





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



**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

Sanad Cooperative Insurance & Reinsurance Company ("the Company") is a Saudi Joint Stock Company incorporated under Ministerial Resolution dated 15 Jumada II, 1428 H, (corresponding to 30 June 2007). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010235409 dated 23 JumadaII, 1428 H (corresponding to 8 July 2007). The objective of the Company is to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 21 July 2007.

The Registered Office of the Company is located at Dareen Center, Al Ahsa Street, Riyadh, 11417, Kingdom of Saudi Arabia. These interim condensed financial statements cover the period from 1 January 2014 to 31 March 2014 (the "period").

**2 BASIS OF PREPARATION**

**2.1 *Basis of measurement***

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

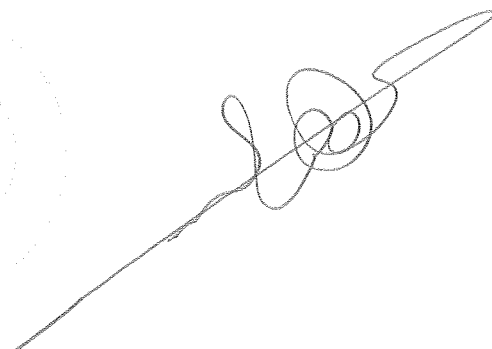
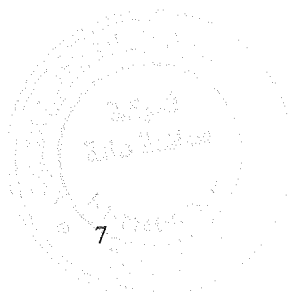
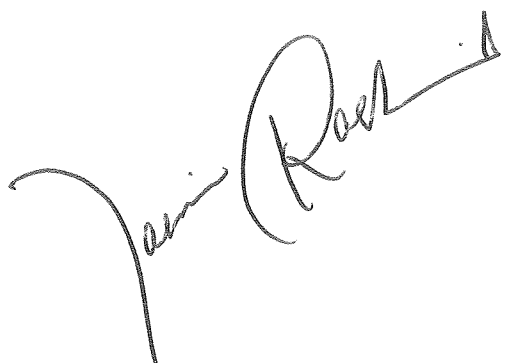
**2.2 *Going concern***

As at 31 March 2014, the Company's solvency margin is below the limit prescribed by Saudi Arabian Monetary Agency (SAMA).

The Company has incurred a net loss of SR 11.76 million during the period. As a result, the accumulated losses amounted to SR 149.55 million and represents approximately 74.77% of the Share Capital. The Saudi Arabian Regulations for Companies Article 148 require that in situations where accumulated losses exceed 75% of the share capital, the Company's Board of Directors must call for an extraordinary general meeting to consider the financial situation of the Company and resolve to continue the operations of the Company.

Further, the Capital Market Authority has recently issued instructions regarding procedures applicable to listed Companies whose losses are in excess of 75% of Capital, which will be effective from 1 July 2014. If the accumulated losses of the Company as of the effective date continue to be in excess of 75% of its Capital as of that date, the Company's shares would be suspended for one trading session. Further punitive measures would be applicable, if the accumulated losses were to exceed 100%.

However, based on the Company's negotiations with SAMA, future business prospects and expected improvement in net results of the Company, the management and the Board of Directors believes that the going concern assumption is valid. It is expected that the Company will continue in operation for the foreseeable future, including but not limited to at least one year from the date of the approval of these interim condensed financial statements. These interim condensed financial statements are accordingly prepared on a going concern basis.



**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

**2** **BASIS OF PREPARATION** *(Continued)*

**2.3** *Statement of compliance*

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, 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 and approved by the management and Board of Directors.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 December 2013.

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

**2.4** *Functional and presentation currency*

The interim condensed financial statements have been presented in Saudi Riyals, being the functional currency of the Company. Amounts are rounded to nearest Riyal unless otherwise indicated.

**2.5** *Use of accounting judgements, estimates and assumptions in the preparation of interim condensed financial statements*

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenue and expenses during the reporting period.

Although these judgments, estimates and assumptions are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimate is revised.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Unearned premium reserve
- Outstanding claims and other technical reserve
- Impairment of receivables
- Impairment in value of investment – available for sale



**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY  
(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**

**3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES**

The accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the ones used in the Company's audited financial statements for the year ended 31 December 2013, except for the adoption of the following new standards and other amendments to existing standards mentioned below which has had an insignificant effect on the condensed interim financial statements of the Company on the current period or prior period and is expected to have an insignificant effect in future periods:

*a) New standards and amendments to existing standards*

*- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*

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

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

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

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

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

**4 RELATED PARTY TRANSACTIONS**

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are mutually agreed and are approved by the Company's management. The related parties of the Company are as follows:

<b>Nature of relationship</b>	<b>Name of related party</b>
<i>10% founding shareholder and common directorship</i>	- Saudi Continental Insurance Company
<i>90% shareholder in Saudi Continental Insurance Company and have a common directorship</i>	- Aggad Investment Company
<i>Common directorship and control</i>	- Arabian Tiles Company - Medical Supplies and Services Company Limited (MEDISERV) - National Advanced Systems Company Limited (NASCO) - United Motors Company

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**4 RELATED PARTY TRANSACTIONS (Continued)**

**a) Transactions with related parties:**

Details of significant transactions carried out during the period with related parties are as follows:

<u>Name of related party</u>	<u>Three months ended</u> <u>March 2014 (Unaudited)</u>		<u>Three months ended</u> <u>March 2013 (Unaudited)</u>	
	<u>Gross written</u> <u>premium</u>	<u>Gross claims</u> <u>paid</u>	<u>Gross written</u> <u>premium</u>	<u>Gross claims</u> <u>paid</u>
Aggad Investment Company	512,697	26,570	83,238	107,706
Arabian Tiles Company	139,647	151,540	135,258	190,503
MEDISERV	264,216	213,132	265,782	391,474
NASCO	442,465	5,949,744	179,673	1,306,834
United Motors Company	804,429	3,441,170	7,992,491	2,671,598

**b) Balances with related parties:**

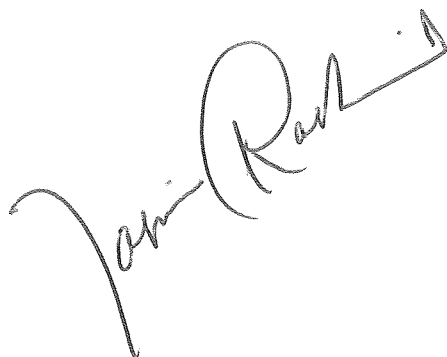
Details of significant receivables from and payables to the related parties are as follows:

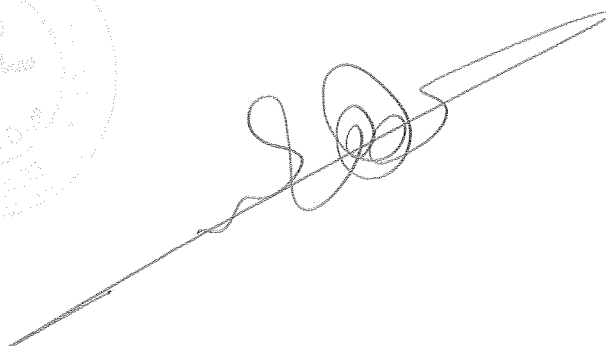
<u>Related party</u>	<u>31 March 2014 (Unaudited)</u>		<u>31 December 2013 (Audited)</u>	
	<u>Premiums</u> <u>receivable</u>	<u>Outstanding</u> <u>claims</u>	<u>Premiums</u> <u>receivable</u>	<u>Outstanding</u> <u>claims</u>
Aggad Investment Company	311,221	178,875	64	190,121
Arabian Tiles Company	1,051,503	372,754	1,105,342	230,971
MEDISERV	886,835	1,070,605	1,081,202	815,285
NASCO	2,712,405	2,976,292	3,893,057	5,755,929
United Motors Company	405,026	9,002,413	1,021,857	6,537,380

**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 period is as follows:

	<u>Three months</u> <u>ended</u> <u>March 2014</u> <u>(Unaudited)</u>	<u>Three months</u> <u>ended</u> <u>March 2013</u> <u>(Unaudited)</u>
Salaries and other short term benefits	885,000	1,078,205
End of service benefit	39,000	53,988
	<u>924,000</u>	<u>1,132,193</u>





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**5 INVESTMENTS**

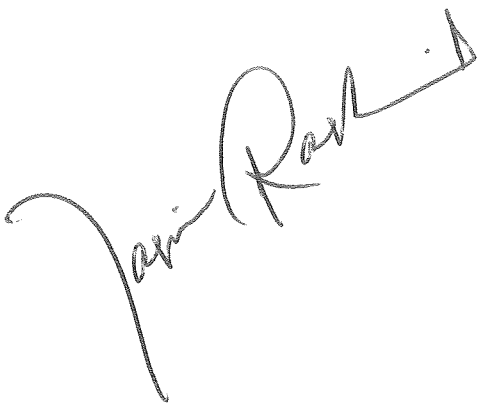
*Investments - available for sale*

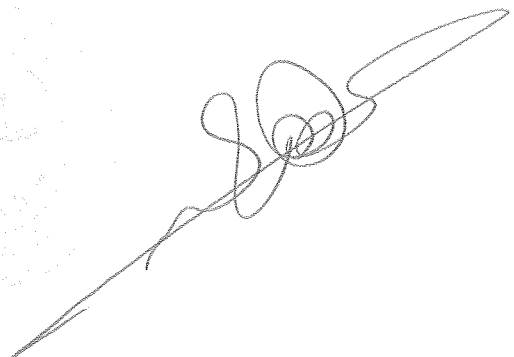
Investment in available for sale securities comprise of the following:

	<b>31 March 2014 (Unaudited)</b>			<b>31 December 2013 (Audited)</b>
	<b>Cost</b>	<b>Unrealised gain</b>	<b>Market value</b>	<b>Market value</b>
<b><u>Quoted/ Published prices</u></b>				
Mutual Funds	6,625,998	387,006	7,013,004	6,999,291
Global Sukuk Fund deposits	9,450,000	1,839,637	11,289,637	11,098,930
Equities	20,882,509	4,787,630	25,670,139	24,039,071
	<u>36,958,507</u>	<u>7,014,273</u>	<u>43,972,780</u>	<u>42,137,292</u>
<b><u>Unquoted</u></b>				
Equities	1,923,078	--	1,923,078	1,923,078
<b>Total investments in available for sale</b>	<u><u>38,881,585</u></u>	<u><u>7,014,273</u></u>	<u><u>45,895,858</u></u>	<u><u>44,060,370</u></u>

Movements in available for sale investments are as follows:

	<b>31 March 2014 (Unaudited)</b>	<b>31 March 2013 (Unaudited)</b>
At beginning of the period	44,060,370	40,145,978
Addition during the period	--	19,575,283
Disposals during the period	--	(19,500,400)
Change in fair value	1,835,488	1,765,624
At end of the period	<u><u>45,895,858</u></u>	<u><u>41,986,485</u></u>





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**6 OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES**

	31 March 2014 (Unaudited)		
	<u>Gross</u>	<u>Reinsurers' Share</u>	<u>Net</u>
Outstanding claim reserves	57,546,331	(15,518,171)	42,028,160
Incurred but not reported reserve ("IBNR")	23,880,657	(3,857,715)	20,022,942
Premium deficiency reserve	10,447,008	--	10,447,008
Outstanding claims and other technical reserves	<u>91,873,996</u>	<u>(19,375,886)</u>	<u>72,498,110</u>
	31 December 2013 (Audited)		
	<u>Gross</u>	<u>Reinsurers' Share</u>	<u>Net</u>
Outstanding claim reserves	54,435,816	(19,524,529)	34,911,287
IBNR	23,880,657	(4,093,862)	19,786,795
Premium deficiency reserve	10,447,008	--	10,447,008
Outstanding claims and other technical reserves	<u>88,763,481</u>	<u>(23,618,391)</u>	<u>65,145,090</u>

**7 PREMIUMS RECEIVABLE**

	31 March 2014 (Unaudited)	31 December 2013 (Audited)
Premiums receivable	120,240,829	93,122,098
Less : Impairment against doubtful receivables	(28,329,662)	(28,113,360)
	<u>91,911,167</u>	<u>65,008,738</u>

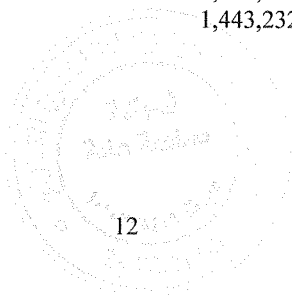
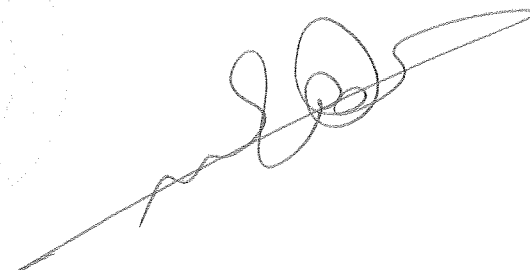
	Total	Neither past due nor impaired	Past due but not impaired	Past due and impaired
<b>31 March 2014 (Unaudited)</b>	<b>120,240,829</b>	<b>35,056,160</b>	<b>56,855,007</b>	<b>28,329,662</b>
31 December 2013 (Audited)	93,122,098	22,998,312	42,010,426	28,113,360

The Company classifies receivable balances as 'past due and impaired' on a case to case basis, impairment against which is recorded in the statement of insurance operations. The Company does not obtain collateral against premium receivables. Amount which are neither past due nor considered impaired by management, in respect of premium receivables, are from individuals and unrated corporate policy holders.

**8 REINSURERS' BALANCE RECEIVABLE**

	31 March 2014 (Unaudited)	31 December 2013 (Audited)
Reinsurers' balance receivable	2,833,962	1,443,232
Less: Impairment against doubtful receivables	(51,350)	(148,178)
	<u>2,782,612</u>	<u>1,295,054</u>

	Total	Past due but not impaired	Past due and impaired
<b>31 March 2014 (Unaudited)</b>	<b>2,833,962</b>	<b>2,782,612</b>	<b>51,350</b>
31 December 2013 (Audited)	1,443,232	1,295,054	148,178

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**9 OPERATING SEGMENTS**

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below Segment results do not include general and administration expenses and other income.

Segment assets do not include property and equipment, prepayments and other assets, premiums receivable, reinsurances' balance receivables and cash and cash equivalents. Accordingly they are included in unallocated assets.

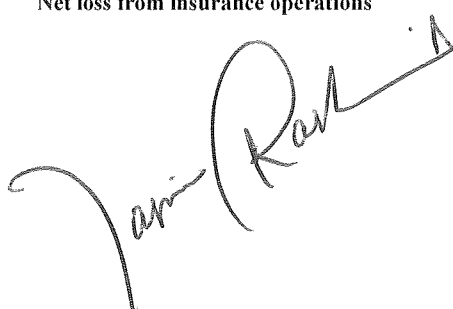
Segment liabilities do not include due to shareholders operations, end-of-service indemnities, reinsurers' balances payable, accrued expenses and other liabilities.

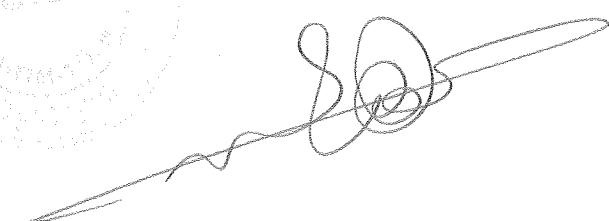
All unallocated assets and liabilities are reported to chief operating decision maker as unallocated assets and liabilities and are monitored on a centralized basis.

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

**a) Statement of results for insurance operations**

	For the three months ended 31 March 2014 (Unaudited)					Total
	Medical	Motor	Marine	Engineering	Others	
Gross written premiums	17,861,269	37,153,169	9,428,204	6,276,054	5,970,205	76,688,901
Reinsurance premiums ceded	(780,300)	(737,000)	(7,985,991)	(6,027,634)	(4,582,285)	(20,113,210)
Net written premiums	17,080,969	36,416,169	1,442,213	248,420	1,387,920	56,575,691
Net changes in unearned premiums	4,543,462	(14,283,705)	(511,751)	(764,457)	(542,991)	(11,559,442)
Net earned premiums	21,624,431	22,132,464	930,462	(516,037)	844,929	45,016,249
Reinsurance commission earned	--	--	2,749,873	790,081	726,758	4,266,712
Policy fee	4,800	28,480	14,900	1,720	11,845	61,745
Total underwriting revenue	21,629,231	22,160,944	3,695,235	275,764	1,583,532	49,344,706
Gross claims paid	(7,532,338)	(19,576,770)	(1,853,406)	(6,397,253)	(854,114)	(36,213,881)
Reinsurance share of claims paid	521,808	--	1,300,623	6,078,207	769,822	8,670,460
Net claims paid	(7,010,530)	(19,576,770)	(552,783)	(319,046)	(84,292)	(27,543,421)
Net changes in outstanding claims and other technical reserves	(5,347,885)	(2,079,219)	(43,920)	235,680	(117,676)	(7,353,020)
Net claims cost	(12,358,415)	(21,655,989)	(596,703)	(83,366)	(201,968)	(34,896,441)
Policy acquisition costs	(1,664,105)	(2,673,240)	(1,374,626)	(493,595)	(455,707)	(6,661,273)
Other underwriting expenses, net	(486,069)	(687,833)	(468,718)	(394,482)	(233,303)	(2,270,405)
Impairment allowance against doubtful receivables	(1,691,198)	1,561,332	--	--	--	(129,866)
Impairment allowance against salvage recoveries	--	(7,251,730)	--	--	--	(7,251,730)
Total underwriting expenses	(16,199,787)	(30,707,460)	(2,440,047)	(971,443)	(890,978)	(51,209,715)
Underwriting surplus / (loss) before administration expenses	5,429,444	(8,546,516)	1,255,188	(695,679)	692,554	(1,865,009)
Unallocated income						80,248
Unallocated expenses						(11,339,475)
Net loss from insurance operations						(13,124,236)



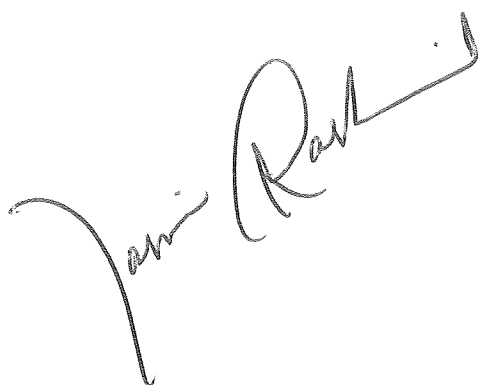


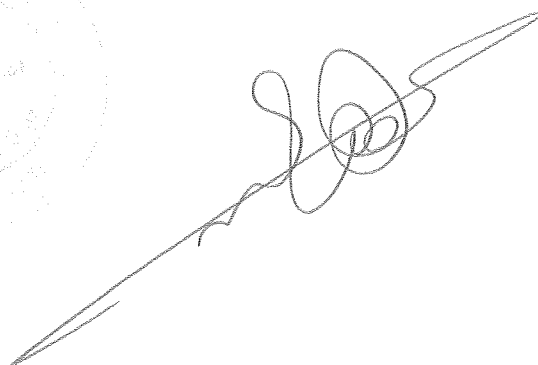
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**9 OPERATING SEGMENTS (Continued)**

**a) Statement of results for insurance operations (continued)**

	For the three months ended 31 March 2013 (Unaudited)					Total
	Medical	Motor	Marine	Engineering	Others	
Gross written premiums	10,763,098	46,501,467	9,592,009	6,179,329	7,875,820	80,911,723
Reinsurance premiums ceded	(977,997)	(460,250)	(8,294,508)	(5,830,727)	(6,249,445)	(21,812,927)
Net written premiums	9,785,101	46,041,217	1,297,501	348,602	1,626,375	59,098,796
Net changes in unearned premiums	(402,211)	(27,007,622)	6,339	(172,980)	(909,812)	(28,486,286)
Net earned premiums	9,382,890	19,033,595	1,303,840	175,622	716,563	30,612,510
Reinsurance commission earned	---	---	2,212,129	750,868	755,322	3,718,319
Policy fee / (reversal), net	3,700	(95,271)	13,505	2,025	15,800	(60,241)
Total underwriting revenue	9,386,590	18,938,324	3,529,474	928,515	1,487,685	34,270,588
Gross claims paid	(15,986,433)	(16,070,272)	(958,742)	(303,510)	(242,678)	(33,561,635)
Reinsurance share of claims paid	5,485,641	77,879	720,774	262,373	144,724	6,691,391
Net claims paid	(10,500,792)	(15,992,393)	(237,968)	(41,137)	(97,954)	(26,870,244)
Net changes in outstanding claims and other technical reserves	6,952,663	1,307,951	(24,160)	13,973	57,373	8,307,800
Net claims cost	(3,548,129)	(14,684,442)	(262,128)	(27,164)	(40,581)	(18,562,444)
Policy acquisition costs	(337,454)	(2,581,709)	(1,143,126)	(489,125)	(481,038)	(5,032,452)
Other underwriting expenses, net	(431,342)	(504,003)	(46,599)	(26,771)	(34,636)	(1,043,351)
(Addition to) / reversal of impairment allowance against doubtful receivables	(1,250,175)	1,158,334	---	---	---	(91,841)
Total underwriting expenses	(5,567,100)	(16,611,820)	(1,451,853)	(543,060)	(556,255)	(24,730,088)
Underwriting surplus before administration expenses	3,819,490	2,326,504	2,077,621	385,455	931,430	9,540,500
Unallocated income						84,283
Unallocated expenses						(10,197,734)
Net loss from insurance operations						(572,951)





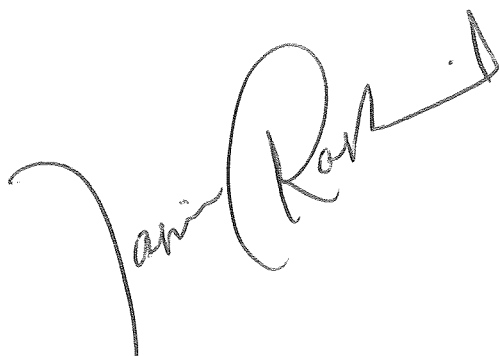
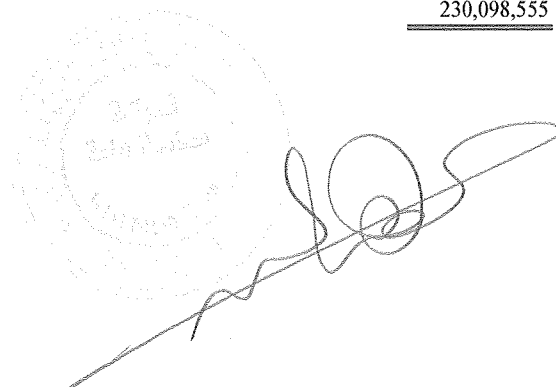


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**9 OPERATING SEGMENTS (Continued)**

**b) Insurance operations' assets and liabilities**

	At 31 March 2014 (Unaudited)					Total
	Medical	Motor	Marine	Engineering	Others	
<b>Assets - insurance operations</b>						
Reinsurers' share of unearned premium	---	---	7,985,990	14,161,361	6,119,100	28,266,451
Reinsurers' share of outstanding claims and other technical reserves	313,431	1,938,874	3,798,933	6,421,799	6,902,849	19,375,886
Deferred policy acquisition cost	3,461,126	6,089,358	493,603	1,447,395	1,091,755	12,583,237
Allocated assets	<u>3,774,557</u>	<u>8,028,232</u>	<u>12,278,526</u>	<u>22,030,555</u>	<u>14,113,704</u>	<u>60,225,574</u>
Unallocated assets						<u>219,228,762</u>
Total insurance operations assets						<u>279,454,336</u>
<b>Liabilities - insurance operations</b>						
Unearned premium reserves	46,316,878	44,287,430	9,428,204	15,282,351	8,486,073	123,800,936
Outstanding claims and other technical reserves	26,155,002	45,993,359	4,681,074	6,734,245	8,310,316	91,873,996
Unearned commission income	---	---	961,252	2,515,386	1,754,379	5,231,017
Allocated liabilities	<u>72,471,880</u>	<u>90,280,789</u>	<u>15,070,530</u>	<u>24,531,982</u>	<u>18,550,768</u>	<u>220,905,949</u>
Unallocated liabilities						<u>58,548,387</u>
Total insurance operations liabilities						<u>279,454,336</u>
	At 31 December 2013 (Audited)					Total
	Medical	Motor	Marine	Engineering	Others	
<b>Assets - insurance operations</b>						
Reinsurers' share of unearned premium	--	--	3,603,338	6,608,484	4,567,658	14,779,480
Reinsurers' share of outstanding claims and other technical reserves	1,032,564	1,832,490	3,247,335	10,026,829	7,479,173	23,618,391
Deferred policy acquisition cost	3,598,577	3,603,919	568,171	1,041,553	808,308	9,620,528
Allocated assets	<u>4,631,141</u>	<u>5,436,409</u>	<u>7,418,844</u>	<u>17,676,866</u>	<u>12,855,139</u>	<u>48,018,399</u>
Unallocated assets						<u>182,080,156</u>
Total insurance operations assets						<u>230,098,555</u>
<b>Liabilities - insurance operations</b>						
Unearned premium reserves	50,860,341	30,003,725	4,533,801	6,965,018	6,391,639	98,754,524
Outstanding claims and other technical reserves	21,526,250	43,807,756	4,085,556	10,574,955	8,768,964	88,763,481
Unearned commission income	--	--	1,138,765	1,731,384	1,259,869	4,130,018
Allocated liabilities	<u>72,386,591</u>	<u>73,811,481</u>	<u>9,758,122</u>	<u>19,271,357</u>	<u>16,420,472</u>	<u>191,648,023</u>
Unallocated liabilities						<u>38,450,532</u>
Total insurance operations liabilities						<u>230,098,555</u>

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**10 FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Company measures financial instruments, such as, derivatives, and non-financial assets at fair value at each balance sheet date. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

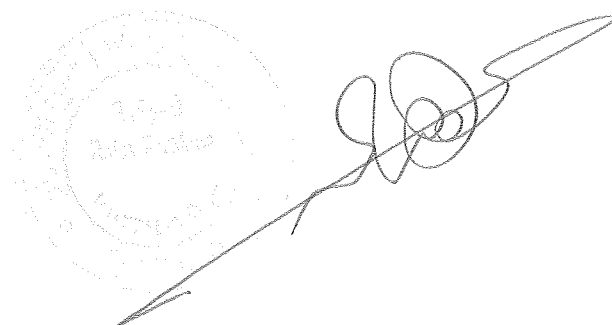
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the financial statements 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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as assets held for distribution in any discontinued operation. External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration.



**SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2014**  
*(Amount in Saudi Riyals)*

**10 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 March 2014 (Unaudited)			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Quoted investments</u>				
Equities	25,670,139	--	--	25,670,139
Other quoted investments	--	18,302,641	--	18,302,641
Unquoted equities	--	--	1,923,078	1,923,078
	<u>25,670,139</u>	<u>18,302,641</u>	<u>1,923,078</u>	<u>45,895,858</u>
	31 December 2013 (Audited)			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Quoted investments</u>				
Equities	24,039,071	--	--	24,039,071
Other quoted investments	--	18,098,221	--	18,098,221
Unquoted equities	--	--	1,923,078	1,923,078
	<u>24,039,071</u>	<u>18,098,221</u>	<u>1,923,078</u>	<u>44,060,370</u>

**11 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors on 15 April 2014 corresponding to 15 Jumada Al-Thani 1435.

