
ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

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**INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)**

Scope of Review

We have reviewed the accompanying interim statement of financial position of **Allied Cooperative Insurance Group (ACIG)** – a Saudi Joint Stock Company – (the "Company") as at 30 June 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the six-month period then ended and the related notes which form 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 the International Accounting Standard 34 ("IAS 34") and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of person responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.


Conclusion

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

Emphasis of a Matter

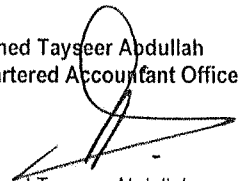
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with Standard on Interim Financial Reporting issued by SOCPA.

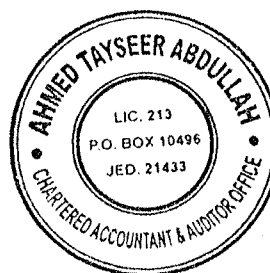
Allied Accountants
Al-Bassam & Al-Nemer CPAs


Abdul Mohsen M. Al Nemer
Certified Public Accountant
License No. 399



Ahmed Tayseer Abdullah
Chartered Accountant Office


Ahmed Tayseer Abdullah
Certified Public Accountant
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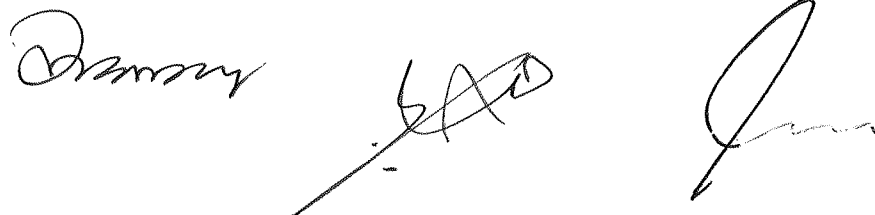


20 July 2014
22 Ramadan 1435H
Jeddah, Kingdom of Saudi Arabia

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION
At 30 JUNE 2014

	Note	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	124,771	145,970
Premiums receivable, net	4	42,780	31,323
Reinsurance receivables, net		1,615	830
Reinsurers' share of unearned premiums	8	33,239	44,548
Reinsurers' share of outstanding claims	9	4,943	5,308
Deferred policy acquisition cost		9,662	12,065
Prepayments and other receivables		13,923	12,520
Property and equipment, net		6,374	6,354
Total insurance operations' assets		237,307	258,918
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	26,752	24,797
FVIS investments	5	19,179	16,928
Available-for-sale investments	6	40,968	40,337
Prepayments and other receivables		2,465	2,376
Statutory deposit	7	20,000	20,000
Total shareholders' assets		109,364	104,438
TOTAL ASSETS		346,671	363,356



The accompanying notes 1 to 17 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION- (Continued)
At 30 JUNE 2014

	Note	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurance payables		38,926	43,198
Unearned commission income		2,147	1,710
Unearned premiums	8	126,327	156,281
Premium deficiency reserves		3,800	3,800
Accounts payable		17,393	12,768
Outstanding claims	9	37,802	33,587
Accrued and other payables		6,854	4,043
Employees' terminal benefits		2,911	2,427
Total insurance operations' liabilities		236,160	257,814
Insurance operations' surplus			
Surplus from insurance operations		1,147	1,104
Total insurance operations' liabilities and surplus		237,307	258,918
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,690	1,069
Accrued zakat and income tax	10	1,294	1,119
Total shareholders' liabilities		2,984	2,188
Shareholders' equity			
Share capital	11	200,000	200,000
Accumulated losses		(94,665)	(98,164)
Available-for-sale investments reserve	6	1,045	414
Total shareholders' equity		106,380	102,250
Total shareholders' liabilities and equity		109,364	104,438
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		346,671	363,356

The accompanying notes 1 to 17 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

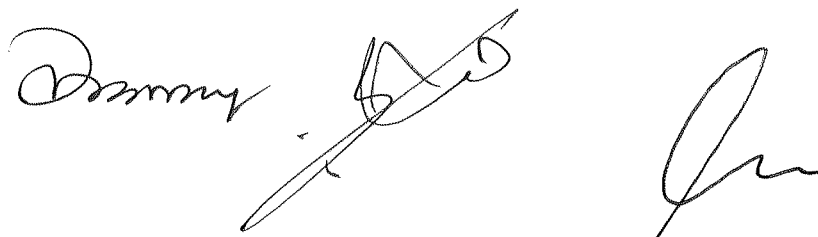
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
REVENUE				
Gross premiums written	41,842	89,483	132,162	196,419
Less: Premiums ceded	(13,607)	(24,641)	(37,609)	(55,541)
Excess of loss premiums	(974)	(4,377)	(2,478)	(6,854)
Net written premiums	27,261	60,465	92,075	134,024
Changes in net unearned premiums	25,911	(15,179)	18,644	(51,690)
Net premiums earned	53,172	45,286	110,719	82,334
Reinsurance commission earned	1,233	775	2,126	1,561
Net revenues	54,405	46,061	112,845	83,895
Cost and expenses				
Gross claims paid	44,628	35,296	88,144	61,608
Less: Reinsurers' share	(6,700)	(5,179)	(12,538)	(6,526)
Net claims paid	37,928	30,117	75,606	55,082
Changes in outstanding claims, net	135	(428)	4,158	(2,142)
Net claims incurred	38,063	29,689	79,764	52,940
Policy acquisition cost	5,598	5,065	12,004	9,683
Net cost and expenses	43,661	34,754	91,768	62,623
Net result of insurance operations	10,744	11,307	21,077	21,272
General and administrative expenses	(9,398)	(8,710)	(19,858)	(16,461)
Supervision and inspection fee	(404)	(447)	(824)	(982)
CCHI fee	(464)	(532)	(969)	(1,079)
Release of doubtful debts provision	-	-	-	13
Investment income	302	-	647	-
Other income	23	171	359	536
Surplus from insurance operations	803	1,789	432	3,299
<i>Shareholders' share of insurance operations surplus:</i>				
- Current period	(723)	(1,610)	(352)	(2,969)
- Adjustment relating to previous period	(37)	-	(37)	-
Surplus for the period	43	179	43	330
Accumulated surplus at the beginning of the period	1,104	151	1,104	-
Accumulated surplus at the end of the period	1,147	330	1,147	330

The accompanying notes 1 to 17 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

	<i>Note</i>	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Shareholders' share of insurance operations surplus		760	1,610	389	2,969
Gain on FVIS investments		2,723	-	6,212	1,135
Dividend on FVIS investment		19	-	59	-
Commission income		13	-	27	-
Total revenues		3,515	1,610	6,687	4,104
EXPENSES					
General and administrative expenses		(633)	(86)	(1,525)	(177)
Net income for the period		2,882	1,524	5,162	3,927
Weighted average number of ordinary shares outstanding ('000')	12	20,000	20,000	20,000	20,000
Basic and diluted earnings per share for the period (SR)	12	0.14	0.08	0.26	0.20

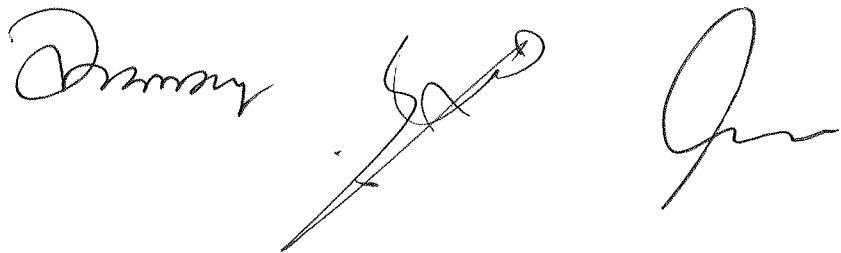


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ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	2,882	1,524	5,162	3,927
Other comprehensive income / (expenses):				
Change in fair value of available-for-sale investments	315	-	631	-
Zakat and income tax (note 10)	(1,035)	-	(1,663)	(407)
Total comprehensive income for the period	<u>2,162</u>	<u>1,524</u>	<u>4,130</u>	<u>3,520</u>



The accompanying notes 1 to 17 form part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

Six-month period ended
30 June 2014 – unaudited

	Share capital SR '000	Accumulated losses SR '000	Change in fair value of available-for- sale investments	Total SR '000
Balance as at 31 December 2013 (audited)	200,000	(98,164)	414	102,250
Net income for the period	-	5,162	-	5,162
Change in fair value of available-for-sale investments	-	-	631	631
Zakat and income tax (note 10)	-	(1,663)	-	(1,663)
Balance as at 30 June 2014 (unaudited)	200,000	(94,665)	1,045	106,380

Six-month period ended
30 June 2013 - unaudited

Balance as at 31 December 2012 (audited)	200,000	(110,095)	-	89,905
Net income for the period	-	3,927	-	3,927
Zakat and income tax	-	(407)	-	(407)
Balance as at 30 June 2013 (unaudited)	200,000	(106,575)	-	93,425

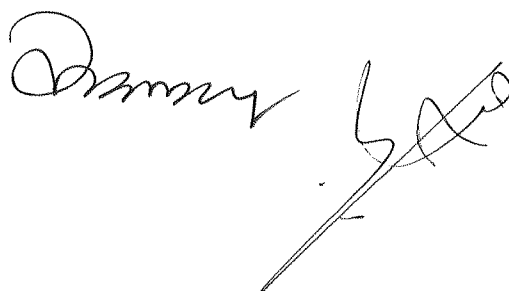


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ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Cash flows from operating activities:		
Surplus for the period from insurance operations	43	330
Adjustment for:		
Depreciation	867	836
Employees' terminal benefits, net	484	550
Release of doubtful debts provision	-	(13)
Doubtful debts provision	590	-
	<u>1,984</u>	<u>1,703</u>
<i>Changes in operating assets and liabilities:</i>		
Premiums receivable, net	(12,047)	(17,399)
Reinsurance receivables, net	(785)	(554)
Reinsurers' share of unearned premiums	11,309	(23,174)
Reinsurers' share of outstanding claims	365	(800)
Deferred policy acquisition cost	2,403	(10,750)
Prepayments and other receivables	(1,403)	(302)
Reinsurers payables	(4,272)	41,412
Unearned commission income	437	252
Unearned premiums	(29,954)	74,865
Accounts payable	4,625	2,239
Outstanding claims	4,215	(2,406)
Accrued and other payables	2,811	345
Due to / from shareholders' operations	-	2,969
Net cash flows (used in) / from operating activities	<u>(20,312)</u>	<u>68,400</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(887)	(1,702)
Net cash flows used in investing activities	<u>(887)</u>	<u>(1,702)</u>
Net (decrease) / increase in cash and cash equivalents	(21,199)	66,698
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	145,970	99,521
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>124,771</u>	<u>166,219</u>

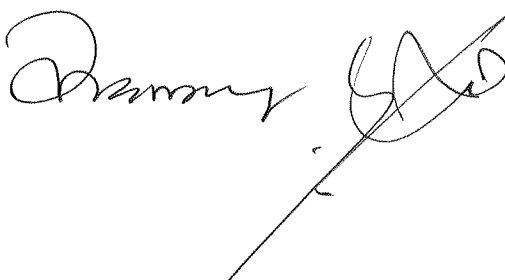



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ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net income for the period	5,162	3,927
Adjustment for:		
Unrealized gain on FVIS investments	(1,125)	-
Dividend on FVIS investments	(59)	-
Realized gain on FVIS investments	(5,127)	(1,135)
	<u>(1,149)</u>	<u>2,792</u>
<i>Changes in operating assets and liabilities:</i>		
Prepayments and other receivables	(89)	(132)
Due from / to insurance operations	-	(2,969)
Accrued and other payables	621	(158)
Zakat Paid	(1,488)	-
Net cash flows used in operating activities	<u>(2,105)</u>	<u>(467)</u>
INVESTING ACTIVITIES		
Purchase of FVIS investments	(10,489)	(575)
Proceeds from sale of FVIS investments	14,509	1,710
Dividend received on FVIS investments	40	-
Net cash flows from investing activities	<u>4,060</u>	<u>1,135</u>
Net increase in cash and cash equivalents	1,955	668
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	24,797	66,199
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>26,752</u>	<u>66,867</u>
<u>Non Cash Transactions:</u>		
Change in fair value of available-for-sale investments	<u>631</u>	<u>-</u>




The accompanying notes 1 to 17 form part of these interim condensed financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014 – UNAUDITED**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171999 dated 9 Shabaan 1428H, corresponding to 22 August 2007. Registered Office address of the Company is Al Ruwais District, P. O. Box 7076, Jeddah 21462, Kingdom of Saudi Arabia.

During the period, as per the shareholders resolution dated 13 May 2014, the registered office address of the Company has changed from Jeddah to Al Malka District P.O. Box 40523 Riyadh 11511, Kingdom of Saudi Arabia. The legal formalities to change the registered office address of the Company have been completed during the period and accordingly Certificate of Registration and Articles of Association have been amended.

The activities of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. On 4 April 2009, the Company received license from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance in Saudi Arabia. The Company commenced its commercial operations on 1 July 2009. The company was listed on the Saudi Stock Exchange (Tadawul) on 27 August 2007.

2. BASIS OF PREPARATION

Statement of Compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are consistent with those used for the preparation of annual financial statements.

These interim condensed financial statements for the three-month and six-month periods ended 30 June 2014 should be read in conjunction with the Company's audited financial statements as at 31 December 2013. In the Company's Board of Directors 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 follows a fiscal year ending 31 December.

The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

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 Policyholders' operations	10%
	<hr/>
	100%

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014 - UNAUDITED - (continued)

2. BASIS OF PREPARATION – (continued)

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

<u>Standard/ Interpretation</u>	<u>Description</u>
IAS 1	Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRS 1	Amendments to IFRS 1 Government Loans
IFRS 7	Amendments IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 21	Levies

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 9	Financial Instruments – Classification & Measurement	1 January 2018
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41	Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	1 January 2016
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014

The Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014 - UNAUDITED - (continued)

3. CASH AND CASH EQUIVALENTS

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
<i>Insurance operations</i>		
Cash in hand and at banks	3,984	25,970
Short term deposit	120,787	120,000
	<u>124,771</u>	<u>145,970</u>
<i>Shareholders' operations</i>		
Cash in hand and at banks	21,719	19,797
Short term deposit	5,033	5,000
	<u>26,752</u>	<u>24,797</u>

Cash at banks are placed with counterparties who have good credit ratings.

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

4. PREMIUMS RECEIVABLE, NET

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Due from policyholders	43,616	32,001
Due from policyholders - related parties	585	153
Doubtful debt provision	(1,421)	(831)
	<u>42,780</u>	<u>31,323</u>

Movement in provision for doubtful debts is as follows:

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Balance at the beginning of the period / year	831	594
Additional provision during the period / year	590	237
Balance at the end of the period / year	<u>1,421</u>	<u>831</u>

5. FVIS INVESTMENTS

Shareholders' operations

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Balance at the beginning of the period / year	16,928	-
Purchased during the period / year	10,489	18,575
Disposals during the period / year	(9,382)	(2,927)
Dividend	19	-
Change in fair value of investment	1,125	1,280
Balance at the end of the period / year	<u>19,179</u>	<u>16,928</u>

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)

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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014 - UNAUDITED - (continued)

6. AVAILABLE-FOR-SALE INVESTMENTS

Shareholders' operations

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
GACA Sukuk	20,469	20,148
Mutual fund	18,576	18,266
Unquoted securities	1,923	1,923
	<u>40,968</u>	<u>40,337</u>

	Balance at the beginning of the period SR'000	Movement during the period SR'000	Change in fair value for the period SR'000	Balance at the end of the period SR'000
As at 30 June 2014 – (Unaudited)				
Investment in Najm for Insurance Services Company	1,923	-	-	1,923
Investment in mutual funds	18,266	-	310	18,576
GACA Sukuk	20,148	-	321	20,469
	<u>40,337</u>	<u>-</u>	<u>631</u>	<u>40,968</u>

	Balance at the beginning of the year SR'000	Movement during the year SR'000	Change in fair value for the year SR'000	Balance at the end of the year SR'000
As at 31 December 2013 – (Audited)				
Investment in Najm for Insurance Services Company	2,377	(454)	-	1,923
Investment in mutual funds	-	18,000	266	18,266
GACA Sukuk	-	20,000	148	20,148
	<u>2,377</u>	<u>37,546</u>	<u>414</u>	<u>40,337</u>

Investment in Najm for Insurance Services Company are classified under level 3, Investment in mutual funds are classified under level 2 and GACA Sukuk are classified under level 1.

The unrealized gain of SR 0.631 million for the period (30 June 2013: Nil) was recognized to the interim statement of changes in shareholders' equity as available-for-sale investments reserve. The available-for-sale reserve as of 30 June 2014 is SR 1.045 million (31 December 2013: SR 0.414 million).

7. STATUTORY DEPOSIT

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
<i>Shareholders' Operations</i>		
Statutory deposit	<u>20,000</u>	<u>20,000</u>

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 20 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The Company cannot withdraw this deposit without SAMA's approval.

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8. UNEARNED PREMIUMS, NET

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Unearned premiums	126,327	156,281
Reinsurance share of unearned premiums	(33,239)	(44,548)
	<u>93,088</u>	<u>111,733</u>

9. OUTSTANDING CLAIMS, NET

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Gross outstanding claims	16,707	12,492
Add: Incurred but not reported (IBNR) reserve	21,095	21,095
Outstanding claims	<u>37,802</u>	<u>33,587</u>
Reinsurance share of outstanding claims	(4,943)	(5,308)
Outstanding claims, net	<u>32,859</u>	<u>28,279</u>

10. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

The movement in the Zakat and Income tax payable is as follows:

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Balance at the beginning of the <i>period / year</i>	1,119	467
Charge for the period / year	1,663	652
Paid during the period / year	(1,488)	-
Balance at the end of the period / year	<u>1,294</u>	<u>1,119</u>

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Income Tax

Foreign shareholder, being Islamic Development Bank (IDB) is exempted from income tax.

Status of assessment:

Zakat and income tax returns have been filed with the Department of Zakat and Income Tax ("DZIT") for the years ended up to 31 December 2013. Final certificate has been received from DZIT for the year ended 31 December 2008. However, DZIT has raised an additional assessment in respect of the returns filed for the years ended 31 December 2008, 2009 and 2010 amounting to SR 1.86 million which has not been booked in the interim condensed financial statements. The major difference of the additional assessment relates to disallowance of a portion of pre-incorporation expenses and withholding tax. The Company has filed an objection against this additional assessment and is confident of a favourable outcome. In this regard, the company have issued a letter of guarantee amounting to SR 1.83 million in favour of DZIT (See Note 16).

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11. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million at period end consisting of 20 million shares of SR 10 each.

	30 June 2014		31 December 2013	
	(Unaudited)		(Audited)	
	% holding	SR'000	% holding	SR'000
Founding shareholders	40	80,000	40	80,000
General public	60	120,000	60	120,000
Balance at the end of the period / year	100	200,000	100	200,000

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net income for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the reporting date as follows:

	Six-month period ended	
	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
Net income for the period (SR '000')	5,162	3,927
Weighted average number of ordinary shares ('000')	20,000	20,000
Basic and diluted earnings per share (SR)	0.26	0.20

13. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital.

14. TRANSACTIONS WITH RELATED PARTIES

Major related party transactions during the period and the related balances at the end of the period are as follows:

Insurance operations

Related party	Nature of transaction	Amount of transactions		Closing balance	
		Six-month period ended		Receivable / (Payable)	
		30 June 2014	30 June 2013	30 June 2014	31 December 2013
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		SR'000	SR'000	SR'000	SR'000
Affiliates	Premiums written	652	554	585	290
Shareholders	Other	-	2,969	-	-
Board and audit committee	Meetings fee	78	75	-	-
Key management personnel	Short term benefits	2,476	2,215	10	-
	Long term benefits	108	89	689	562

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15. SEGMENTAL INFORMATION

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

Segment results do not include general and administrative expenses, provision for doubtful debts and other income.

Segment assets do not include cash and cash equivalents, investments, prepayments and other receivables, and property and equipment, net.

Segment liabilities do not include reinsurance payables, accrued expenses and other liabilities, due to shareholders' operations and employees' terminal benefits.

Operating segments

For three-month period ended
30 June 2014 (Unaudited)

	Motor	Medical	General accident	Others	Total
Revenue	SR '000	SR '000	SR '000	SR '000	SR '000
Gross premiums written	16,767	13,339	3,896	7,840	41,842
Less: Premiums ceded	(47)	(3,730)	(2,373)	(7,457)	(13,607)
Excess of loss premiums	(756)	-	(95)	(123)	(974)
Net written premiums	15,964	9,609	1,428	260	27,261
Changes in net unearned premiums	3,138	23,071	(293)	(5)	25,911
Net premiums earned	19,102	32,680	1,135	255	53,172
Reinsurance commission earned	13	-	344	876	1,233
Net revenues	19,115	32,680	1,479	1,131	54,405
Cost and expenses					
Gross claims paid	27,847	14,791	62	1,928	44,628
Less: Reinsurers' share	-	(5,872)	(33)	(795)	(6,700)
Net claims paid	27,847	8,919	29	1,133	37,928
Changes in outstanding claims, net	434	468	159	(926)	135
Net claims incurred	28,281	9,387	188	207	38,063
Policy acquisition cost	1,556	3,616	227	199	5,598
Net cost and expenses	29,837	13,003	415	406	43,661
Net result of insurance operations	(10,722)	19,677	1,064	725	10,744
General and administrative expenses	-	-	-	-	(9,398)
Supervision and inspection fee	(132)	(179)	(30)	(63)	(404)
CCHI fee	-	(464)	-	-	(464)
Investment income					302
Other income					23
Surplus from insurance operations					803

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15. SEGMENTAL INFORMATION – (Continued)

For six-month period ended 30 June 2014 (Unaudited)	Motor	Medical	General accident	Others	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Revenue					
Gross premiums written	34,220	73,658	7,546	16,738	132,162
Less: Premiums ceded	(103)	(17,921)	(4,021)	(15,564)	(37,609)
Excess of loss premiums	(2,045)	-	(191)	(242)	(2,478)
Net written premiums	32,072	55,737	3,334	932	92,075
Changes in net unearned premiums	10,071	9,880	(949)	(358)	18,644
Net premiums earned	42,143	65,617	2,385	574	110,719
Reinsurance commission earned	24	-	613	1,489	2,126
Net revenues	42,167	65,617	2,998	2,063	112,845
Cost and expenses					
Gross claims paid	58,597	26,221	1,170	2,156	88,144
Less: Reinsurers' share	(1,149)	(10,067)	(367)	(955)	(12,538)
Net claims paid	57,448	16,154	803	1,201	75,606
Changes in outstanding claims, net	3,615	2,040	(515)	(982)	4,158
Net claims incurred	61,063	18,194	288	219	79,764
Policy acquisition cost	3,528	7,602	446	428	12,004
Net cost and expenses	64,591	25,796	734	647	91,768
Net result of insurance operations	(22,424)	39,821	2,264	1,416	21,077
General and administrative expenses	-	-	-	-	(19,858)
Supervision and inspection fee	(213)	(459)	(47)	(105)	(824)
CCHI fee	-	(969)	-	-	(969)
Investment income					647
Other income					359
Surplus from insurance operations					432
As at 30 June 2014 (Unaudited)					
Premiums and reinsurance receivables – net	12,606	18,169	36	13,584	44,395
Reinsurance share of unearned premiums	198	21,672	3,865	7,504	33,239
Reinsurance share of outstanding claims	202	3,319	662	760	4,943
Deferred policy acquisition cost	2,712	5,701	684	565	9,662
Unallocated assets					145,068
Total insurance operations assets					237,307
Unearned commission income	19	-	751	1,377	2,147
Unearned premiums	35,295	72,973	9,731	8,328	126,327
Premium deficiency reserve	3,800	-	-	-	3,800
Outstanding claims	24,890	9,006	2,534	1,372	37,802
Other liabilities	5,331	10,327	-	1,735	17,393
Unallocated liabilities					49,838
Total insurance operations liabilities					237,307

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15. SEGMENTAL INFORMATION – (Continued)

For three-month period ended
30 June 2013 (Unaudited)

	Motor	Medical	General accident	Others	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Revenue					
Gross premiums written	33,431	48,182	2,455	5,415	89,483
Less: Premiums ceded	(27)	(18,581)	(1,228)	(4,805)	(24,641)
Excess of loss premiums	(1,707)	(1,945)	(74)	(651)	(4,377)
Net written premiums	31,697	27,656	1,153	(41)	60,465
Changes in net unearned premiums	(3,614)	(11,474)	(152)	61	(15,179)
Net premiums earned	28,083	16,182	1,001	20	45,286
Reinsurance commission earned	9	(118)	420	464	775
Net revenues	28,092	16,064	1,421	484	46,061
Cost and expenses					
Gross claims paid	32,555	2,275	15	451	35,296
Less: Reinsurers' share	(3,803)	(1,138)	(5)	(233)	(5,179)
Net claims paid	28,752	1,137	10	218	30,117
Changes in outstanding claims, net	(998)	303	230	37	(428)
Net claims incurred	27,754	1,440	240	255	29,689
Policy acquisition cost	2,408	2,328	190	139	5,065
Net cost and expenses	30,162	3,768	430	394	34,754
Net result of insurance operations	(2,070)	12,296	991	90	11,307
General and administrative expenses	-	-	-	-	(8,710)
Supervision and inspection fee	(167)	(241)	(12)	(27)	(447)
CCHI fee	-	(532)	-	-	(532)
Other income					171
Surplus from insurance operations					1,789

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15. SEGMENTAL INFORMATION – (Continued)

For six-month period ended

30 June 2013 (Unaudited)	Motor	Medical	General accident	Others	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Revenue					
Gross premiums written	73,885	102,892	5,403	14,239	196,419
Less: Premiums ceded	(77)	(39,824)	(2,668)	(12,972)	(55,541)
Excess of loss premiums	(2,831)	(3,116)	(148)	(759)	(6,854)
Net written premiums	70,977	59,952	2,587	508	134,024
Changes in net unearned premiums	(16,161)	(34,963)	(263)	(303)	(51,690)
Net premiums earned	54,816	24,989	2,324	205	82,334
Reinsurance commission earned	12	-	554	995	1,561
Net revenues	54,828	24,989	2,878	1,200	83,895
Cost and expenses					
Gross claims paid	57,245	3,762	122	479	61,608
Less: Reinsurers' share	(4,386)	(1,881)	(6)	(253)	(6,526)
Net claims paid	52,859	1,881	116	226	55,082
Changes in outstanding claims, net	(3,817)	1,406	197	72	(2,142)
Net claims incurred	49,042	3,287	313	298	52,940
Policy acquisition cost	5,440	3,618	341	284	9,683
Net cost and expenses	54,482	6,905	654	582	62,623
Net result of insurance operations	346	18,084	2,224	618	21,272
General and administrative expenses	-	-	-	-	(16,461)
Supervision and inspection fee	(369)	(515)	(27)	(71)	(982)
CCHI fee	-	(1,079)	-	-	(1,079)
Release of doubtful debts provision					13
Investment income					10
Other income					526
Surplus from insurance operations					3,299
As at 31 December 2013 (Audited)					
Premiums and reinsurance receivables – net	6,933	15,518	1	9,701	32,153
Reinsurance share of unearned premiums	324	35,070	4,237	4,917	44,548
Reinsurance share of outstanding claims	38	2,137	572	2,561	5,308
Deferred policy acquisition cost	3,638	7,587	597	243	12,065
Unallocated assets					164,844
Total insurance operations assets					258,918
Unearned commission income	-	807	35	868	1,710
Unearned premiums	45,486	96,251	9,154	5,390	156,281
Premium deficiency reserve	3,800	-	-	-	3,800
Outstanding claims	21,265	5,783	2,960	3,579	33,587
Other liabilities	3,377	6,351	-	1,618	11,346
Unallocated liabilities					52,194
Total insurance operations liabilities					258,918

16. CONTINGENT LIABILITY

As at 30 June 2014, the Company has a letter of guarantee amounting to SR 1.83 million (31 December 2013: SR 1.83 million) in favor of DZIT (See Note 10). A margin of SR 1.83 million (31 December 2013: SR 1.83 million) being deposited with a bank for this purpose is included in prepayments and other receivables in the interim statement of financial position of insurance operations.

17. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the board of directors on 20 July 2014 corresponding to 22 Ramadan 1435H.