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

INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

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Al Bassam

Certified Public Accountants & Consultants

AHMED TAYSEER ABDULLAH

CHARTERED ACCOUNTANT OFFICE

(Lic.No. 213)



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 condensed statement of financial position of **Allied Cooperative Insurance Group (ACIG)** – a Saudi Joint Stock Company – (the "Company") as at 31 March 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders operations' cash flows for the three-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.

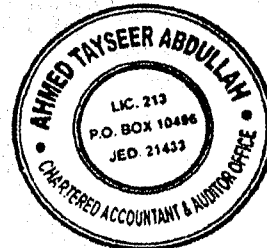
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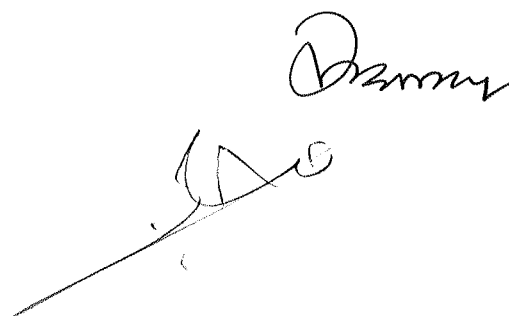
Ahmed Tayseer Abdullah
Licence No. 213

17 April 2014
17 Jamaad Al-Thani 1435H
Jeddah, Kingdom of Saudi Arabia



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF FINANCIAL POSITION
At 31 March 2014

	Note	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	142,555	145,970
Premiums receivable, net	4	41,087	31,323
Reinsurance receivables, net		257	830
Reinsurers' share of unearned premiums	8	43,593	44,548
Reinsurers' share of outstanding claims	9	6,867	5,308
Deferred policy acquisition cost		12,542	12,065
Prepayments and other receivables		10,690	12,520
Due from shareholders' operations		371	-
Property and equipment, net		6,314	6,354
Total insurance operations' assets		264,276	258,918
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	22,267	24,797
FVIS investments	5	22,830	16,928
Available-for-sale investments	6	40,653	40,337
Prepayments and other receivables		2,355	2,376
Statutory deposit	7	20,000	20,000
Total shareholders' assets		108,105	104,438
TOTAL ASSETS		372,381	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 31 March 2014

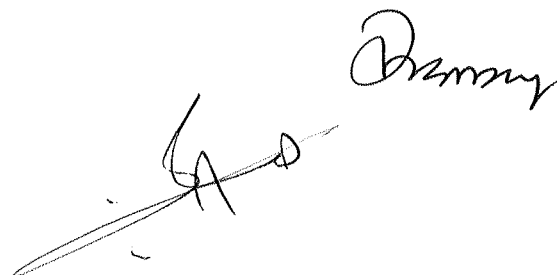
	Note	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurance payables		38,022	43,198
Unearned commission income		2,130	1,710
Unearned premiums	8	162,592	156,281
Premium deficiency reserves		3,800	3,800
Accounts payable		12,305	12,768
Outstanding claims	9	38,415	33,587
Accrued and other payables		3,191	4,043
Employees' terminal benefits		2,717	2,427
Total insurance operations' liabilities		263,172	257,814
Insurance operations' surplus			
Surplus from insurance operations		1,104	1,104
Total insurance operations' liabilities and surplus		264,276	258,918
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,769	1,069
Accrued zakat and income tax	10	1,747	1,119
Due to insurance operations		371	-
Total shareholders' liabilities		3,887	2,188
Shareholders' equity			
Share capital	11	200,000	200,000
Accumulated losses		(96,512)	(98,164)
Available-for-sale investments reserve	6	730	414
Total shareholders' equity		104,218	102,250
Total shareholders' liabilities and equity		108,105	104,438
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		372,381	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 PERIOD ENDED 31 MARCH 2014

	<i>For the three-month period ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE		
Gross premiums written	90,320	106,936
Less: Reinsurance premiums ceded	(24,002)	(30,900)
Excess of loss premiums	(1,504)	(2,477)
Net written premiums	64,814	73,559
Changes in net unearned premiums	(7,267)	(36,511)
Net premiums earned	57,547	37,048
Reinsurance commission earned	893	786
Net revenues	58,440	37,834
Cost and expenses		
Gross claims paid	43,516	26,312
Less: Reinsurers' share	(5,838)	(1,347)
Net claims paid	37,678	24,965
Changes in outstanding claims, net	4,023	(1,714)
Net claims incurred	41,701	23,251
Policy acquisition cost	6,406	4,618
Net cost and expenses	48,107	27,869
Net result of insurance operations	10,333	9,965
General and administrative expenses	(10,460)	(7,835)
Supervision and inspection fee	(420)	(535)
CCHI fee	(505)	(547)
Release of doubtful debts provision	-	97
Investment income	345	-
Other income	336	365
(Deficit) / surplus from insurance operations	(371)	1,510
Shareholders' share of insurance operations	371	(1,359)
Surplus for the period	-	151
Accumulated surplus at the beginning of the period	1,104	-
Accumulated surplus at the end of the period	1,104	151

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 PERIOD ENDED 31 MARCH 2014

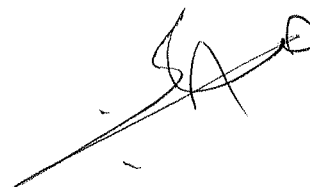
	<i>Note</i>	<i>For the three-month period ended</i>	
		<i>31 March</i>	<i>31 March</i>
		<i>2014</i>	<i>2013</i>
		<i>SR '000</i>	<i>SR '000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Shareholders' share of insurance operations (deficit) / surplus		(371)	1,359
Gain on FVIS investments		3,489	1,135
Dividend on FVIS investment		40	-
Commission income		14	-
Total revenues		3,172	2,494
EXPENSES			
General and administrative expenses		(892)	(91)
Net income for the period		2,280	2,403
Weighted average number of ordinary shares outstanding ('000')	12	20,000	20,000
Basic and diluted earnings per share for the period (SR)	12	0.11	0.12

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' COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	<i>For the three-month period ended</i>	
	<i>31 March 2014 SR '000 (Unaudited)</i>	<i>31 March 2013 SR '000 (Unaudited)</i>
Net income for the period	2,280	2,403
Other comprehensive income / (expenses):		
Change in fair value of available-for-sale investments	316	-
Zakat and income tax (note 10)	(628)	(407)
Total comprehensive income for the period	<u>1,968</u>	<u>1,996</u>


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

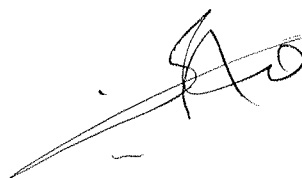
ALLIED COOPERATIVE INSURANCE GROUP (ACIG)
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

For the three-month period ended
31 March 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	-	2,280	-	2,280
Change in fair value of available-for-sale investments	-	-	316	316
Zakat and income tax (note 10)	-	(628)	-	(628)
Balance as at 31 March 2014 (unaudited)	200,000	(96,512)	730	104,218

For the three-month period ended
31 March 2013 - unaudited

Balance as at 31 December 2012 (audited)	200,000	(110,095)	-	89,905
Net income for the period	-	2,403	-	2,403
Zakat and income tax	-	(407)	-	(407)
Balance as at 31 March 2013 (unaudited)	200,000	(108,099)	-	91,901

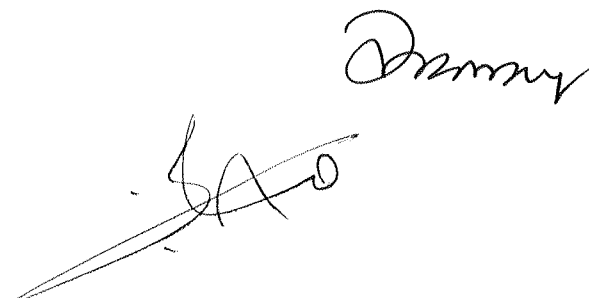




The accompanying notes 1 to 17 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	<i>For the three-month period ended</i>	
	<i>31 March</i>	<i>31 March</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	-	151
Adjustment for:		
Depreciation	437	400
Employees' terminal benefits, net	290	351
Release of doubtful debts provision	-	97
Doubtful debts provision	490	-
	<u>1,217</u>	<u>999</u>
Changes in operating assets and liabilities:		
Premiums receivable, net	(10,254)	(11,387)
Reinsurance receivables, net	573	697
Reinsurers' share of unearned premiums	955	(16,052)
Reinsurers' share of outstanding claims	(1,559)	(355)
Deferred policy acquisition cost	(477)	(8,015)
Prepayments and other receivables	1,830	(1,041)
Reinsurers payables	(5,176)	26,850
Unearned commission income	420	215
Unearned premiums	6,311	52,564
Accounts payable	(463)	2,526
Outstanding claims	4,828	(2,423)
Accrued and other payables	(852)	198
Due to / from shareholders' operations	(371)	1,359
Net cash flows (used in) / from operating activities	<u>(3,018)</u>	<u>46,135</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(397)	(1,422)
Net cash flows used in investing activities	<u>(397)</u>	<u>(1,422)</u>
Net (decrease) / increase in cash and cash equivalents	(3,415)	44,713
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	145,970	99,521
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	142,555	144,234

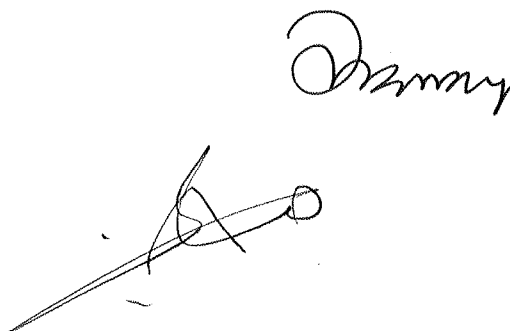



The accompanying notes 1 to 17 form part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	<i>For the three-month period ended</i>	
	<i>31 March 2014 (Unaudited)</i>	<i>31 March 2013 (Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net income for the period	2,280	2,403
Adjustment for:		
Unrealized gain on FVIS investments	(2,762)	-
Dividend on FVIS investments	(40)	-
Realized gain on FVIS investments	(727)	(1,135)
	(1,249)	1,268
Changes in operating assets and liabilities:		
Prepayments and other receivables	21	(180)
Due from / to insurance operations	371	(1,359)
Accrued and other payables	700	(102)
Net cash flows used in operating activities	(157)	(373)
INVESTING ACTIVITIES		
Purchase of FVIS investments	(6,458)	(575)
Proceeds from sale of FVIS investments	4,085	1,710
Net cash flows (used in) / from investing activities	(2,373)	1,135
Net (decrease) / increase in cash and cash equivalents	(2,530)	762
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	24,797	66,199
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22,267	66,961
<u>Non Cash Transactions:</u>		
Change in fair value of available-for-sale investments	316	-

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 PERIOD ENDED 31 MARCH 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.

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 periods ended 31 March 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 PERIOD ENDED 31 MARCH 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>
IFRS 1	Amendment to IFRS 1 – Government loans
IFRS 7	Amendment to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements: Investments in Associates & Joint ventures
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair value Measurement
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IAS 1	Presentation of Financial Statements
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investment in Associates and Joint Ventures
IAS 32	Amendment to IAS 32 Tax effects of distributions to holders of equity instruments
IAS 34	Amendment to IAS 34 Interim financial reporting and segment information for total assets and 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
IFRIC 21	Leases

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	To be announced
IFRS 14	Regulatory Deferral Accounts	1 January 2016
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 PERIOD ENDED 31 MARCH 2014 – UNAUDITED - (continued)

3. CASH AND CASH EQUIVALENTS

	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
<i>Insurance operations</i>		
Cash in hand and at banks	22,070	25,970
Short term deposit	120,485	120,000
	<u>142,555</u>	<u>145,970</u>
<i>Shareholders' operations</i>		
Cash in hand and at banks	17,247	19,797
Short term deposit	5,020	5,000
	<u>22,267</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

	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Due from policyholders	42,396	32,001
Due from policyholders - related parties	12	153
Doubtful debt provision	(1,321)	(831)
	<u>41,087</u>	<u>31,323</u>

Movement in provision for doubtful debts is as follows:

	31 March 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	490	237
Balance at the end of the period / year	<u>1,321</u>	<u>831</u>

5. FVIS INVESTMENTS

Shareholders' operations

	31 March 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	6,458	18,575
Disposals during the period / year	(3,358)	(2,927)
Dividend	40	-
Change in fair value of investment	2,762	1,280
	<u>22,830</u>	<u>16,928</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014 – UNAUDITED - (continued)

6. AVAILABLE-FOR-SALE INVESTMENTS

Shareholders' operations

	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
GACA Sukuk	20,307	20,148
Mutual fund	18,423	18,266
Unquoted securities	1,923	1,923
	<u>40,653</u>	<u>40,337</u>

As at 31 March 2014 – (Unaudited)	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
Investment in Najm for Insurance Services Company	1,923	-	-	1,923
Investment in mutual funds	18,266	-	157	18,423
GACA Sukuk	20,148	-	159	20,307
	<u>40,337</u>	<u>-</u>	<u>316</u>	<u>40,653</u>

As at 31 December 2013 – (Audited)	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
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 0.316 million for the period (31 March 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 31 March 2014 is SR 0.730 million (31 December 2013: SR 0.414 million).

7. STATUTORY DEPOSIT

	31 March 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014 – UNAUDITED - (continued)

8. UNEARNED PREMIUMS, NET

	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Unearned premiums	162,592	156,281
Reinsurance share of unearned premiums	(43,593)	(44,548)
	<u>118,999</u>	<u>111,733</u>

9. OUTSTANDING CLAIMS, NET

	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Gross outstanding claims	17,320	12,492
Add: Incurred but not reported (IBNR) reserve	21,095	21,095
Outstanding claims	<u>38,415</u>	<u>33,587</u>
Reinsurance share of outstanding claims	(6,887)	(5,308)
Outstanding claims, net	<u>31,528</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:

	31 March 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Balance at the beginning of the <i>period</i> / year	1,119	467
Charge for the period / year	628	652
Balance at the end of the period / year	<u>1,747</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 2012. 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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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014 – UNAUDITED - (continued)

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.

	31 March 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 profit 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:

	For the three-month period ended	
	31 March 2014	31 March 2013
	(Unaudited)	(Audited)
Net income for the period (SR '000')	2,280	2,403
Weighted average number of ordinary shares ('000')	20,000	20,000
Basic and diluted earnings per share (SR)	0.11	0.12

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	
		For the three-month period ended		Receivable / (Payable)	
		31 March 2014	31 March 2013	31 March 2014	31 December 2013
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
		SR'000	SR'000	SR'000	SR'000
Affiliates	Premiums written	264	175	12	290
Shareholders	Other	371	751	371	-
Board and audit committee	Meetings fee	50	42	-	-
Key management personnel	Short term benefits	1,344	1,006	40	-
	Long term benefits	58	56	639	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 insurance operations' cash and cash equivalents, investments, premiums receivable, reinsurance receivable, 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 31

March 2014 (Unaudited)

	Motor	Medical	General accident	Others	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Revenue					
Gross premiums written	17,453	60,319	3,650	8,898	90,320
Less: Reinsurance premiums ceded	(56)	(14,191)	(1,648)	(8,107)	(24,002)
Excess of loss premiums	(1,289)	-	(96)	(119)	(1,504)
Net written premiums	16,108	46,128	1,906	672	64,814
Changes in net unearned premiums	6,933	(13,191)	(656)	(353)	(7,267)
Net premiums earned	23,041	32,937	1,250	319	57,547
Reinsurance commission earned	11	-	269	613	893
Net revenues	23,052	32,937	1,519	932	58,440
Cost and expenses					
Gross claims paid	30,750	11,430	1,108	228	43,516
Less: Reinsurers' share	(1,149)	(4,195)	(334)	(160)	(5,838)
Net claims paid	29,601	7,235	774	68	37,678
Changes in outstanding claims, net	3,181	1,572	(674)	(56)	4,023
Net claims incurred	32,782	8,807	100	12	41,701
Policy acquisition cost	1,972	3,986	219	229	6,406
Net cost and expenses	34,754	12,793	319	241	48,107
Net result of insurance operations	(11,702)	20,144	1,200	691	10,333
General and administrative expenses					(10,460)
Supervision and inspection fee	(81)	(280)	(17)	(42)	(420)
CCHI fee	-	(505)	-	-	(505)
Investment income					345
Other income					336
Deficit from insurance operations					(371)
As at 31 March 2014 (Unaudited)					
Premiums and reinsurance receivables – net	7,366	21,912	153	11,913	41,344
Reinsurance share of unearned premiums	271	31,688	4,083	7,551	43,593
Reinsurance share of outstanding claims	807	3,275	598	2,187	6,867
Deferred policy acquisition cost	3,121	8,326	665	430	12,542
Unallocated assets					159,930
Total insurance operations assets					264,276
Unearned commission income	30	-	785	1,315	2,130
Unearned premiums	38,506	106,060	9,657	8,369	162,592
Premium deficiency reserve	3,800	-	-	-	3,800
Outstanding claims	24,455	8,494	2,311	3,155	38,415
Other liabilities	3,445	4,453	-	1,780	9,678
Unallocated liabilities					47,661
Total insurance operations liabilities					264,276

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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014 – UNAUDITED - (continued)

15. SEGMENTAL INFORMATION – (Continued)

For three-month period ended 31 March

2013 (Unaudited)	Motor	Medical	General accident	Others	Total
Revenue	SR '000	SR '000	SR '000	SR '000	SR '000
Gross premiums written	40,454	54,710	2,948	8,824	106,936
Less: Reinsurance premiums ceded	(50)	(21,243)	(1,440)	(8,167)	(30,900)
Excess of loss premiums	(1,124)	(1,171)	(74)	(108)	(2,477)
Net written premiums	39,280	32,296	1,434	549	73,559
Changes in net unearned premiums	(12,547)	(23,489)	(111)	(364)	(36,511)
Net premiums earned	26,733	8,807	1,323	185	37,048
Reinsurance commission earned	3	118	134	531	786
Net revenues	26,736	8,925	1,457	716	37,834
Cost and expenses					
Gross claims paid	24,690	1,487	107	28	26,312
Less: Reinsurers' share	(583)	(743)	(1)	(20)	(1,347)
Net claims paid	24,107	744	106	8	24,965
Changes in outstanding claims, net	(2,819)	1,103	(33)	35	(1,714)
Net claims incurred	21,288	1,847	73	43	23,251
Premium deficiency reserve	-	-	-	-	-
Policy acquisition cost	3,032	1,290	151	145	4,618
Net cost and expenses	24,320	3,137	224	188	27,869
Net result of insurance operations	2,416	5,788	1,233	528	9,965
General and administrative expenses					(7,835)
Supervision and inspection fee	(202)	(274)	(15)	(44)	(535)
CCHI fee	-	(547)	-	-	(547)
Release of doubtful debts provision					97
Investment income					-
Other income					365
Surplus from insurance operations					1,510
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 31 March 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 17 April 2014 corresponding to 17 Jamadil Akhir 1435H.