
**UNITED COOPERATIVE ASSURANCE COMPANY
(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

**UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS AND 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 UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of Review

We have reviewed the accompanying interim condensed statement of financial position of United Cooperative Assurance Company – 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 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 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



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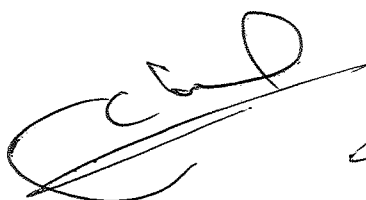
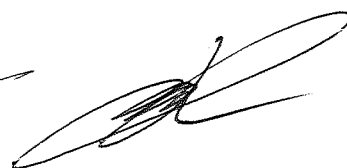
22 Ramadan 1435H
20 July 2014

Jeddah, Kingdom of Saudi Arabia

UNITED COOPERATIVE ASSURANCE COMPANY
(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	41,547	86,018
Available-for-sale-investments	4	55,088	54,858
Premiums receivable, net	5	353,735	411,024
Reinsurance' receivables, net		48,953	8,830
Reinsurers' share of unearned premiums		237,747	123,901
Reinsurers' share of outstanding claims		83,835	114,716
Deferred policy acquisition cost		8,906	7,117
Prepayments and other receivables		129,035	84,811
Due from shareholders' operations		91,635	86,610
Furniture, fittings and office equipment		5,751	6,849
Total insurance operations' assets		1,056,232	984,734
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	61,201	92,486
Available-for-sale-investments	4	171,975	165,017
Prepayments and other receivables		2,002	878
Goodwill	1	78,400	78,400
Statutory deposit	10	28,000	28,000
Total shareholders' assets		341,578	364,781
TOTAL ASSETS		1,397,810	1,349,515

UNITED COOPERATIVE ASSURANCE COMPANY
(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			
Reinsurers payables		153,590	190,992
Unearned commission income		29,257	25,437
Unearned premiums		532,040	375,450
Unexpired risk reserve		13,727	13,727
Catastrophe reserve		500	500
Outstanding claims		262,517	296,662
Payables to policy holders		12,893	29,425
Accrued and other payables		20,664	22,439
Employees' terminal benefits		9,797	9,085
Total insurance operations' liabilities		1,034,985	963,717
Insurance operations' surplus			
Accumulated surplus from insurance operations		21,258	21,258
Available-for-sale-investments reserve	4	(11)	(241)
Total insurance operations' liabilities and surplus		1,056,232	984,734
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,127	1,059
Due to financial institution	6	18,750	18,750
Due to a related party	13	270	270
Due to insurance operations		91,635	86,610
Accrued zakat and income tax	7	10,641	21,929
Total shareholders' liabilities		122,423	128,618
Shareholders' equity			
Share capital	8	280,000	280,000
Statutory reserve	9	31,944	31,944
Accumulated losses		(95,012)	(76,627)
Available-for-sale-investments reserve	4	2,223	846
Total shareholders' equity		219,155	236,163
Total shareholders' liabilities and equity		341,578	364,781
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,397,810	1,349,515



The accompanying notes 1 to 14 form part of these interim condensed financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(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

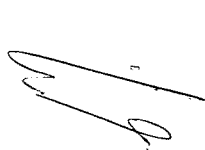
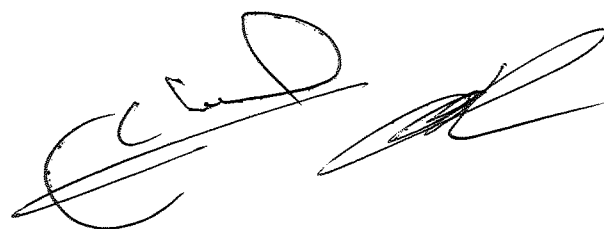
	<i>Three-month period ended</i> <i>30 June</i>		<i>Six-month period ended</i> <i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenues				
Gross premiums written	192,810	235,079	580,483	692,850
Less: Reinsurance premiums ceded	(62,876)	(83,176)	(165,050)	(166,933)
Excess of loss premiums	(976)	(1,680)	(1,970)	(2,560)
Net written premiums	128,958	150,223	413,463	523,357
Changes in net unearned premiums	69,913	73,516	(42,744)	(106,367)
Net premiums earned	198,871	223,739	370,719	416,990
Reinsurance commission earned	9,912	15,055	19,224	22,292
Net revenues	208,783	238,794	389,943	439,282
Cost and expenses				
Gross claims paid	242,659	246,828	412,633	417,276
Less: Reinsurers' share	(58,217)	(22,004)	(63,015)	(26,202)
Net claims paid	184,442	224,824	349,618	391,074
Changes in net outstanding claims	17,330	(20,404)	(3,264)	(37,938)
Net claims incurred	201,772	204,420	346,354	353,136
Policy acquisition cost	4,488	7,816	8,885	13,144
Net cost and expenses	206,260	212,236	355,239	366,280
Net result of insurance operations	2,523	26,558	34,704	73,002
General and administrative expenses	(26,012)	(25,259)	(49,017)	(52,282)
Supervision and inspection fee	(942)	(1,112)	(2,823)	(3,364)
CCHI fee	(280)	(310)	(1,148)	(890)
Release of doubtful debt provision	6,218	6,698	-	-
Investment income	599	2,671	1,588	2,972
(Deficit) / surplus from insurance operations	(17,894)	9,246	(16,696)	19,438
Shareholders' share of insurance operations	(17,774)	8,321	(16,696)	17,494
Surplus for the period	(120)	925	-	1,944
Accumulated surplus at the beginning of the period	21,378	22,277	21,258	21,258
Accumulated surplus at the end of the period	21,258	23,202	21,258	23,202

The accompanying notes 1 to 14 form part of these interim condensed financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

	Note	<i>Three-month period ended</i> <i>30 June</i>		<i>Six-month period ended</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>
Revenues					
Shareholders' share of insurance operations (deficit) / surplus		(17,774)	8,321	(16,696)	17,494
Commission income		751	344	1,613	450
Investment income		-	8	-	8
Realised gain on available-for-sale investments		-	205	1,020	7,415
		<u>(17,023)</u>	<u>8,878</u>	<u>(14,063)</u>	<u>25,367</u>
EXPENSES					
General and administrative expenses		369	153	710	305
Board remunerations		295	275	612	518
		<u>664</u>	<u>428</u>	<u>1,322</u>	<u>823</u>
Total expenses		<u>664</u>	<u>428</u>	<u>1,322</u>	<u>823</u>
NET (LOSS) / INCOME FOR THE PERIOD		<u>(17,687)</u>	<u>8,450</u>	<u>(15,385)</u>	<u>24,544</u>
Weighted average number of ordinary shares outstanding ('000)	11	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>
(Loss) / earnings per share for the period – basic and diluted (SR)	11	<u>(0.63)</u>	<u>0.30</u>	<u>(0.55)</u>	<u>0.88</u>

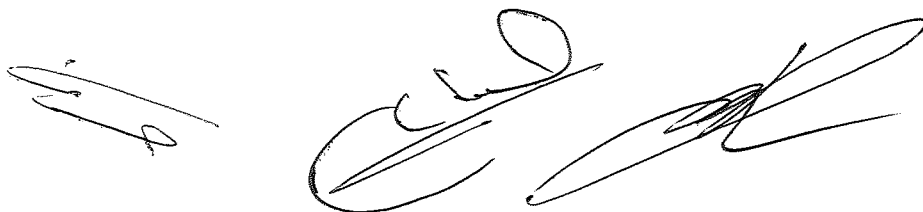



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UNITED COOPERATIVE ASSURANCE COMPANY
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INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

	<i>Three-month period ended</i> 30 June		<i>Six-month period ended</i> 30 June	
	2014 <i>(Unaudited)</i>	2013 <i>(Unaudited)</i>	2014 <i>(Unaudited)</i>	2013 <i>(Unaudited)</i>
	SR'000	SR'000	SR'000	SR'000
Net (loss) / income for the period	(17,687)	8,450	(15,385)	24,544
Other comprehensive income:				
Change in value of available-for-sale-investments	530	(456)	1,377	(262)
Other expenses:				
Zakat and income tax (note 7)	(1,500)	(1,890)	(3,000)	(3,780)
Total comprehensive (loss) / income for the period	<u>(18,657)</u>	<u>6,104</u>	<u>(17,008)</u>	<u>20,502</u>



The accompanying notes 1 to 14 form part of these interim condensed financial statements.

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

For the six-month period ended 30 June 2014 – (Unaudited)

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital SR'000	Accumulated losses SR'000	Statutory reserve SR'000	Available-for-sale investments reserve SR'000	Share capital SR'000	Accumulated losses SR'000	Statutory reserve SR'000	Available-for-sale investments reserve SR'000	Share capital SR'000	Accumulated losses SR'000	Statutory reserve SR'000	Available-for-sale investments reserve SR'000
Balance as at 31 December 2013 – (audited)	274,400	(74,972)	31,306	829	5,600	(1,655)	638	17	280,000	(76,627)	31,944	846
Change in fair value of available-for-sale-investments	-	-	-	1,349	-	-	-	28	-	-	-	1,377
Net loss for the period	-	(15,077)	-	-	-	(308)	-	-	-	(15,385)	-	-
Zakat and income tax for the period (note 7)	-	(3,000)	-	-	-	-	-	-	-	(3,000)	-	-
Balance as at 30 June 2014 – (unaudited)	274,400	(93,049)	31,306	2,178	5,600	(1,963)	638	45	280,000	(95,012)	31,944	2,223

For the six-month period ended 30 June 2013 – (Unaudited)

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Available-for-sale investments reserve SR'000	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Available-for-sale investments reserve SR'000	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Available-for-sale investments reserve SR'000
Balance as at 31 December 2012 (audited)	196,000	86,262	31,306	225	4,000	1,515	638	5	200,000	87,777	31,944	230
Change in fair value of available-for-sale-investments	-	-	-	(257)	-	-	-	(5)	-	-	-	(262)
Net income for the period	-	24,053	-	-	-	491	-	-	-	24,544	-	-
Bonus shares	78,400	(78,080)	-	-	1,600	(1,600)	-	-	80,000	(79,680)	-	-
Transaction cost – issuance of bonus shares	-	(139)	-	-	-	(3)	-	-	-	(142)	-	-
Zakat and income tax for the period	-	(3,720)	-	-	-	(60)	-	-	-	(3,780)	-	-
Balance as at 30 June 2013 - (unaudited)	274,400	28,376	31,306	(32)	5,600	343	638	-	280,000	28,719	31,944	(32)

The accompanying notes 1 to 14 form part of these interim condensed financial statements.

UNITED COOPERATIVE ASSURANCE COMPANY
(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>	
	30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	SR'000	SR'000
Cash flows from operating activities:		
Surplus for the period from insurance operations	-	1,944
Adjustment for:		
Depreciation	1,846	2,129
Employees' terminal benefits	712	712
Realised gain on available for sale investments	-	(179)
Allowance for doubtful premiums receivables	1,558	418
	<u>4,116</u>	<u>5,024</u>
Changes in operating assets and liabilities:		
Premiums receivable, net	55,731	(101,113)
Reinsurance' receivables	(40,123)	9,631
Reinsurers' share of unearned premium	(113,846)	(59,001)
Reinsurers' share of outstanding claims	30,881	8,181
Deferred policy acquisition cost	(1,789)	(1,189)
Prepayments and other receivables	(44,224)	7,886
Due from shareholders' operations	(5,025)	-
Reinsurers payables	(37,402)	72,640
Unearned commission income	3,820	7,360
Unearned premiums	156,590	165,367
Outstanding claims	(34,145)	(46,118)
Payables to policy holders	(16,532)	16,495
Accrued and other payables	(1,775)	(230)
Due to shareholders' operations	-	(5,353)
Net cash flows (used in) / from operating activities	<u>(43,723)</u>	<u>79,580</u>
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment	(748)	(1,642)
Purchase of available-for-sale-investments	-	(76,221)
Time deposits	-	90,732
Proceeds from sale of available-for-sale-investments	-	14,612
Net cash flows (used in) / from investing activities	<u>(748)</u>	<u>27,481</u>
(Decrease) / Increase in cash and cash equivalents	(44,471)	107,061
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	86,018	34,132
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	41,547	141,193
Non-cash transactions		
Change in value of available-for-sale-investments	230	(60)
Transfer of held to maturity investments into AFS investments	-	1,573

The accompanying notes 1 to 14 form part of these interim condensed financial statements.

**UNITED COOPERATIVE ASSURANCE COMPANY
(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 30 June</i>	
	2014	2013
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	SR'000	SR'000
OPERATING ACTIVITIES		
Net (loss) / income for the period	(15,385)	24,544
Adjustment for:		
Realised gain on available-for-sale-investments	(1,020)	(7,415)
	<u>(16,405)</u>	<u>17,129</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(1,124)	(250)
Due from insurance operations	-	5,353
Due to insurance operations	5,025	-
Accruals and other payables	68	(221)
Cash (used in) / from operations	<u>(12,436)</u>	<u>22,011</u>
Zakat and income tax paid	(14,288)	(5,772)
Net cash flows (used in) / from operating activities	<u>(26,724)</u>	<u>16,239</u>
INVESTING ACTIVITIES		
Time deposits	-	166,301
Purchase of available-for-sale-investments	(11,072)	(117,528)
Proceeds from sale of available-for-sale-investments	6,511	13,521
Net cash flows (used in) / from investing activities	<u>(4,561)</u>	<u>62,294</u>
FINANCING ACTIVITIES		
Transaction cost	-	(142)
Statutory deposit	-	(8,000)
Loan from financial institution	-	18,750
Net cash flows from financing activities	<u>-</u>	<u>10,608</u>
Net (decrease) / increase in cash and cash equivalents	(31,285)	89,141
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	92,486	32,314
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>61,201</u>	<u>121,455</u>
<u>Non-cash transactions</u>		
Other receivables	-	320
Change in value of available-for-sale-investments	<u>1,377</u>	<u>(262)</u>




The accompanying notes 1 to 14 form part of these interim condensed financial statements.

**UNITED COOPERATIVE ASSURANCE COMPANY
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**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

United Cooperative Assurance ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 6 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor) Al Rawdah Street, Khaleidiya District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

The Company entered into an agreement with UCA Insurance Bahrain BSC ('the seller') pursuant to which it acquired the sellers insurance operations in the Kingdom of Saudi Arabia, effective from 31 December 2008, at a goodwill amount of SR 78.40 million, as approved by the SAMA, along-with related insurance assets and liabilities of an equivalent amount (SR 656.95 million).

Further, goodwill of SR 78.40 million, as approved by SAMA, and a corresponding liability (payable to the Seller) had retrospectively recorded in financial statements. In accordance with the instructions of SAMA, the initial Instalment (50% of the portfolio price) was to be paid on 31 December 2009 and periodic payments are to be made till the end of 2015, subject to that the payment will not exceed 50% of the surplus available for distribution, after obtaining SAMA's approval before making any such payment. The Company got approval of SAMA on 18 Sha'ban 1432H corresponding to 19 July 2011, for the payment of goodwill for the years 2009 and 2010 amounting to SR 25.12 million and SR 28.32 million respectively. Accordingly, the Company decreased its liability with respect of goodwill by SR 53.44 million. The Company got approval of SAMA on 10 Jammad Al-Awwal 1433H corresponding to 02 April 2012 regarding the payment of remaining goodwill amounting to SR 24.962 million. Accordingly, the Company fully settled its liability with respect of goodwill of SR 24.962 million. The Company also paid fee on goodwill amounting to 5.1 million during the year ended 31 December 2012.

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 six-month period ended 30 June 2014 ("the period") 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 periods presented. The Company's interim results may not be indicative of its annual results.

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.

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities except for investments held to maturity are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

**UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

2. BASIS OF PREPARATION – (continued)

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 bye-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	<u>100%</u>

New IFRS, IFRIC and amendments thereof, adopted by the Company

The accounting policies used in preparation of these interim condensed financial statements are consistent with those of the previous financial year and the adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on the interim condensed financial statements of 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	To be announced
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 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014

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

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3. CASH AND CASH EQUIVALENTS

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Insurance operations		
Cash in hand and at banks	41,547	17,442
Short term deposit	-	68,576
	<u>41,547</u>	<u>86,018</u>
Shareholders' operations		
Cash in hand and at banks	61,201	955
Short term deposit	-	91,531
	<u>61,201</u>	<u>92,486</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. AVAILABLE-FOR-SALE INVESTMENTS

Insurance operations

Available-for-sale-investments at local banks represent units in investment funds listed in Tadawul whereas the investment with foreign banks are listed in international stock exchanges. The unrealized loss of SR 0.011 million as at 30 June 2014 (31 December 2013: unrealized loss of SR 0.241 million) was credited to the surplus from insurance operations as available-for-sale-investment reserve.

Movement in available for sale investments has summarized below:

	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 bonds	54,858	-	230	55,088
	<u>54,858</u>	<u>-</u>	<u>230</u>	<u>55,088</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 equity shares	843	(850)	7	-
Investment in bonds	1,596	53,527	(265)	54,858
	<u>2,439</u>	<u>52,677</u>	<u>(258)</u>	<u>54,858</u>

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4. AVAILABLE-FOR-SALE INVESTMENTS – (continued)

Shareholders' operations

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Quoted securities	51,445	45,578
Unquoted securities	120,530	119,439
	<u>171,975</u>	<u>165,017</u>

i) Available for sale – quoted securities

	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 equities	-	5,580	(284)	5,296
Investment in bonds	45,578	-	571	46,149
	<u>45,578</u>	<u>5,580</u>	<u>287</u>	<u>51,445</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 equities	1,991	(2,020)	29	-
Investment in bonds	18,286	27,970	(678)	45,578
	<u>20,277</u>	<u>25,950</u>	<u>(649)</u>	<u>45,578</u>

ii) Available for sale – unquoted securities

	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 local company	1,923	-	-	1,923
Investment in bonds	60,000	-	-	60,000
Investment in murabaha deposit	57,516	-	1,091	58,607
	<u>119,439</u>	<u>-</u>	<u>1,091</u>	<u>120,530</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 local company	1,923	-	-	1,923
Investment in bonds	-	60,000	-	60,000
Investment in murabaha deposit	-	56,250	1,266	57,516
	<u>1,923</u>	<u>116,250</u>	<u>1,266</u>	<u>119,439</u>

The unrealized gain of SR 1.377 million as at 30 June 2014 (30 June 2013: Unrealized loss SR 0.262 million) was charged to the statement of changes in shareholders' equity as available for sale investments reserve. The available-for-sale reserve as of 30 June 2014 is SR 2.223 million (31 December 2013: SR 0.846 million).

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

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4. AVAILABLE-FOR-SALE INVESTMENTS – (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 30 June 2014 - unaudited

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Shareholders' operations	5,296	-	1,923	7,219
Debt securities:				
Insurance operations	15,088	40,000	-	55,088
Shareholders' operations	36,149	70,000	-	106,149
Deposit certificates:				
Shareholders' operations	-	58,607	-	58,607
	56,533	168,607	1,923	227,063

As at 31 December 2013 – audited

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Shareholders' operations	-	-	1,923	1,923
Debt securities:				
Insurance operations	14,858	40,000	-	54,858
Shareholders' operations	35,578	70,000	-	105,578
Deposit certificates:				
Shareholders' operations	-	57,516	-	57,516
	50,436	167,516	1,923	219,875

The Company has unquoted equity instruments carried at cost or indicative selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the interim statement of shareholders' comprehensive income will be impacted.

5. PREMIUMS RECEIVABLE

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Due from policyholders	227,525	185,599
Due from policyholders - related parties	147,546	245,203
Allowance for doubtful premiums receivables	(21,336)	(19,778)
	353,735	411,024

Movement in allowance for doubtful premiums receivable is as follows:

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Balance at the beginning of the period / year	19,778	25,535
Provided during the period / year	1,558	-
Release of provision during the period / year	-	(5,753)
Utilization of provision during the period / year	-	(4)
Balance at the end of the period / year	21,336	19,778

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6. DUE TO FINANCIAL INSTITUTION

During the year ended 31 December 2013, the Company obtained an overdraft facility of USD 5,000,000 from BSI, SA for the purpose of additional investment in BSI, SA Murabaha certificates. The overdraft is for the period of three (3) months and carries a commission rate of 3.35% P.A. on a rolling basis.

7. 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 period / year	21,929	21,819
Charge for the period / year	3,000	5,882
Paid during the period / year	(14,288)	(5,772)
Balance at the end of the period / year	10,641	21,929

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

Status of assessment:

The Company has filed its zakat declarations for the years ended 31 December 2009 to 2013 and obtained restricted zakat certificates.

During 2013, the Company received the final zakat assessments for the years 2009 to 2011 from the Department of Zakat and Income Tax (DZIT) claiming zakat liability amounting to SR 17.69 million. The management believes that the existing provision for zakat is sufficient. The Management has filed an objection against the above assessments and is confident of receiving a favourable ruling. However, during the three-month period ended 31 March 2014, the Company has made payment amounting to SR 14.288 million with respect to these assessments.

8. SHARE CAPITAL

The authorised and issued share capital of the Company is SR 280 million divided into 28 million ordinary shares of SR 10 each.

During the three-month period ended 30 June 2014, the Board of directors has recommended an increase in the Company's capital through offering a rights issue with a total value of SR 140 million. The Company has obtained SAMA initial approval on 23 Jumaad Al Thani 1435H corresponding to 23 April 2014. Final approval from SAMA is subject to meet certain requirements and approval from other regulatory authorities.

9. 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. The reserve is not available for distribution.

10. STATUTORY DEPOSIT

	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Shareholders' Operations		
Statutory deposit	28,000	28,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 28 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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11. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

(Loss) / Earnings per share for the period have been calculated by dividing the net (loss) / income for the period by the weighted average number of issued and outstanding shares for the period.

12. SEGMENTAL INFORMATION

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

Segment results do not include general and administrative expenses and investment income.

Segment assets do not include insurance operations cash and cash equivalents, investments, premium receivables, reinsurance receivables, prepayments and other receivables, and furniture, fittings and office equipment, net.

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

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the three-month period ended 30 June 2014 - unaudited				
Insurance operations				
Gross premiums written	27,993	93,150	71,667	192,810
Premiums ceded	-	(272)	(62,604)	(62,876)
Excess of loss premiums	(12)	(250)	(714)	(976)
Net premiums written	27,981	92,628	8,349	128,958
Change in net unearned premiums	13,254	54,921	1,738	69,913
Net premiums earned	41,235	147,549	10,087	198,871
Reinsurance commission earned	-	234	9,678	9,912
Net revenue	41,235	147,783	19,765	208,783
COSTS AND EXPENSES:				
Gross claim paid	21,366	159,944	61,349	242,659
Less: Reinsurance share	(1,113)	(9)	(57,095)	(58,217)
Net claims paid	20,253	159,935	4,254	184,442
Change in net outstanding claims	16,091	2,689	(1,450)	17,330
Net claims incurred	36,344	162,624	2,804	201,772
Policy acquisition cost	1,161	1,851	1,476	4,488
Net cost and expenses	37,505	164,475	4,280	206,260
Net underwriting results	3,730	(16,692)	15,485	2,523
Supervision and inspection fee	(140)	(458)	(344)	(942)
CCHI fees	(280)	-	-	(280)
Unallocated general and				(26,012)
Release of doubtful debt provision				6,218
Unallocated investment income				599
Deficit from insurance operations				(17,894)

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12. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the six-month period ended 30 June 2014 - unaudited				
Insurance operations				
Gross premiums written	99,801	282,119	198,563	580,483
Premiums ceded	-	(424)	(164,626)	(165,050)
Excess of loss premiums	(213)	(500)	(1,257)	(1,970)
Net premiums written	99,588	281,195	32,680	413,463
Change in net unearned premiums	(23,033)	(11,352)	(8,359)	(42,744)
Net premiums earned	76,555	269,843	24,321	370,719
Reinsurance commission earned	-	423	18,801	19,224
Net revenue	76,555	270,266	43,122	389,943
COSTS AND EXPENSES:				
Gross claim paid	49,994	295,846	66,793	412,633
Less: Reinsurance share	(1,883)	(416)	(60,716)	(63,015)
Net claims paid	48,111	295,430	6,077	349,618
Change in net outstanding claims	17,198	(20,696)	234	(3,264)
Net claims incurred	65,309	274,734	6,311	346,354
Policy acquisition cost	2,305	3,306	3,274	8,885
Net cost and expenses	67,614	278,040	9,585	355,239
Net underwriting results	8,941	(7,774)	33,537	34,704
Supervision and inspection fee	(499)	(1,408)	(916)	(2,823)
CCHI fees	(1,148)	-	-	(1,148)
Unallocated general and				(49,017)
Unallocated investment				1,588
Deficit from insurance operations				(16,696)
As at 30 June 2014 – unaudited				
Reinsurance share of unearned premiums	-	503	237,243	237,746
Reinsurance share of outstanding claims	1,408	2,281	80,147	83,835
Deferred acquisition cost	2,184	2,886	3,836	8,906
Unallocated assets				725,745
				1,056,232
Unearned commission income	132	180	28,945	29,257
Unearned Premiums	77,598	187,338	267,104	532,040
Unexpired risk reserve	5,726	8,001	-	13,727
Catastrophe reserve	-	-	500	500
Outstanding claims	71,287	96,504	94,726	262,517
Unallocated liabilities				218,191
				1,056,232

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12. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the three-month period ended 30 June 2013 – Unaudited				
Insurance operations				
Gross premiums written	31,005	112,335	91,739	235,079
Premiums ceded	(3)	(3,832)	(79,341)	(83,176)
Excess of loss premiums	(955)	(163)	(562)	(1,680)
Net premiums written	30,047	108,340	11,836	150,223
Change in net unearned premiums	7,903	57,815	7,798	73,516
Net premiums earned	37,950	166,155	19,634	223,739
Reinsurance commission earned	1	475	14,579	15,055
Net revenue	37,951	166,630	34,213	238,794
COSTS AND EXPENSES:				
Gross claim paid	54,930	165,018	26,880	246,828
Less: Reinsurance share	(1,020)	(10)	(20,974)	(22,004)
Net claims paid	53,910	165,008	5,906	224,824
Change in net outstanding claims	(19,820)	(2,274)	1,690	(20,404)
Net claims incurred	34,090	162,734	7,596	204,420
Policy acquisition cost	997	4,248	2,571	7,816
Net cost and expenses	35,087	166,982	10,167	212,236
Net underwriting results	2,864	(352)	24,046	26,558
Supervision and inspection fee	(155)	(550)	(407)	(1,112)
CCHI fees	(310)	-	-	(310)
Release of doubtful debt provision				6,698
Unallocated expenses				(25,259)
Unallocated investment income				2,671
Surplus from insurance operations				9,246

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12. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the six-month period ended 30 June 2013 - Unaudited				
Insurance operations				
Gross premiums written	88,673	406,077	198,100	692,850
Premiums ceded	(3)	(4,176)	(162,754)	(166,933)
Excess of loss premiums	(1,110)	(325)	(1,125)	(2,560)
Net premiums written	87,560	401,576	34,221	523,357
Change in net unearned premiums	(10,249)	(90,925)	(5,193)	(106,367)
Net premiums earned	77,311	310,651	29,028	416,990
Reinsurance commission received	1	575	21,716	22,292
Net revenue	77,312	311,226	50,744	439,282
COSTS AND EXPENSES:				
Gross claim paid	93,423	290,778	33,075	417,276
Less: Reinsurance share	(1,020)	(77)	(25,105)	(26,202)
Net claims paid	92,403	290,701	7,970	391,074
Change in net outstanding claims	(20,837)	(16,481)	(620)	(37,938)
Net claims incurred	71,566	274,220	7,350	353,136
Policy acquisition cost	2,578	6,638	3,928	13,144
Net cost and expenses	74,144	280,858	11,278	366,280
Net underwriting results	3,168	30,368	39,466	73,002
Supervision and inspection fee	(443)	(2,019)	(902)	(3,364)
CCHI fees	(890)	-	-	(890)
Unallocated general and				(52,282)
Release of doubtful debts				-
Unallocated investment				2,972
Surplus from insurance operations				19,438
As at 31 December 2013 - Audited				
Reinsurance share of unearned premiums	-	1,476	122,425	123,901
Reinsurance share of outstanding claims	-	204	114,512	114,716
Deferred acquisition cost	878	3,026	3,213	7,117
Unallocated assets				739,000
				984,734
Unearned commission income	1	121	25,315	25,437
Unearned Premiums	54,565	176,958	143,927	375,450
Premium deficiency reserve	5,726	8,001	-	13,727
Catastrophe reserve	-	-	500	500
Outstanding claims	52,681	115,123	128,858	296,662
Unallocated liabilities				272,958
				984,734

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13. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the period.

Related party	Nature of transactions	Amount of transactions		Balance as of	
		For the six-month period ended			
		30 June 2014 (Unaudited) SR'000	30 June 2013 (Unaudited) SR'000	30 June 2014 (Unaudited) SR'000	31 December 2013 (Audited) SR'000
Insurance Operations					
<i>Shareholders:</i>					
Saudi Bin Laden – Group	Premium	112,831	154,676		
	Payments and claims	(210,031)	(169,827)	137,825	235,025
Rashed Al Rashed – Group	Premium	9,846	8,931		
	Payments and claims	(9,598)	(8,861)	9,810	9,562
<i>Board member:</i>					
Claim and risk services (CARS)	Claim handling fee	(2,876)	1,428		
	Payment made	3,193	(2,572)	(513)	(830)
Claim and risk services (CARS)	Premium	602	611		
	Payments and claims	(1,009)	(151)	138	545
Law Office of Hassan Mehassni	Premium	367	315		
	Payments and claims	(152)	(170)	286	71
Key management personnel	Remuneration and related expenses	2,316	2,152	-	-
Shareholders' Operations					
Najm for insurance services	Payment received	-	-	(270)	(270)
Board members	Board of directors remunerations	612	519	-	-

14. APPROVAL OF FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the board of directors on 17 July 2014 corresponding to 20 Ramadan 1435H.