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**THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE  
AND REINSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE SIX MONTH PERIOD ENDED  
30 JUNE 2014**

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KPMG Al Fozan & Al Sadhan



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

**SCOPE OF REVIEW**

We have reviewed the accompanying interim statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2014, 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, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (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 persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION**

Based on our 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 the Standard on Interim Financial Reporting issued by SOCPA.

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20 Ramadan 1435H  
17 July 2014

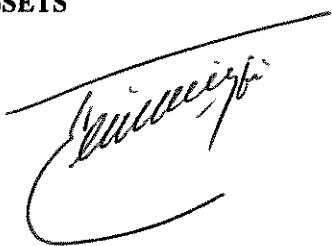
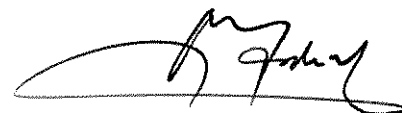
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

(Amounts in SR)

	<i>Notes</i>	<b>30 June 2014 (Unaudited)</b>	<b>31 December 2013 (Audited)</b>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	373,217,529	686,594,970
Time deposits	6	386,756,269	129,639,726
Premiums and reinsurance balances receivable	7	1,751,807,319	1,240,053,958
Investments	8a	118,242,504	90,875,000
Due from related parties	11a	74,458,240	68,839,113
Due from shareholders' operations		-	268,878,984
Reinsurers' share of outstanding claims		650,695,670	605,687,165
Reinsurers' share of unearned premiums		998,258,964	919,402,928
Deferred policy acquisition costs		228,249,232	174,854,095
Prepayments and other assets		260,274,810	118,096,148
Property and equipment, net		50,513,404	39,586,774
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>4,892,473,941</b>	<b>4,342,508,861</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	207,401,550	322,102,719
Time deposits	6	6,015,333	126,149,039
Due from insurance operations		49,063,970	-
Investments	8b	238,266,944	211,127,052
Prepayments and other assets		1,483,459	2,787,249
Investment in an associate	9	6,000,000	6,000,000
Land		30,000,000	30,000,000
Statutory deposit	10	100,000,000	100,000,000
Goodwill		480,000,000	480,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>1,118,231,256</b>	<b>1,278,166,059</b>
<b>TOTAL ASSETS</b>		<b>6,010,705,197</b>	<b>5,620,674,920</b>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2014

(Amounts in SR)

	Notes	30 June 2014 (Unaudited)	31 December 2013 (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Gross outstanding claims		1,644,908,850	1,451,905,914
Due to related parties	11a	28,357,398	12,080,783
Due to shareholders' operations		49,063,970	-
Accounts and commission payable		121,837,470	73,314,933
Accrued expenses and other liabilities		87,980,645	78,858,790
Reinsurance balances payable		187,967,958	294,402,083
Surplus distribution payable		96,615,667	85,595,806
Unearned reinsurance commission		66,152,753	39,772,672
Gross unearned premiums		2,584,989,649	2,298,631,011
Other claim reserves		22,245,236	6,327,378
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>4,890,119,596</b>	<b>4,340,889,370</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Cumulative change in fair values of available for sale investments	8a	2,354,345	1,619,491
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>4,892,473,941</b>	<b>4,342,508,861</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities		1,264,500	899,500
Provision for zakat and income tax		25,526,493	12,453,909
Due to insurance operations		-	268,878,984
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>26,790,993</b>	<b>282,232,393</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	1,000,000,000	1,000,000,000
Statutory reserve	15	139,374,369	139,374,369
Accumulated deficit		(70,005,096)	(159,694,752)
Cumulative change in fair values of available for sale investments	8b	22,070,990	16,254,049
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,091,440,263</b>	<b>995,933,666</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,118,231,256</b>	<b>1,278,166,059</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>6,010,705,197</b>	<b>5,620,674,920</b>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS  
(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June</i> <i>2014</i>	<i>30 June</i> <i>2013</i>	<i>30 June</i> <i>2014</i>	<i>30 June</i> <i>2013</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gross premiums written	1,318,894,004	996,381,284	2,482,489,294	1,907,519,543
Less: Reinsurance premiums ceded	(381,350,508)	(230,248,433)	(639,243,902)	(427,757,701)
Excess of loss premiums	(4,957,076)	(9,230,089)	(8,823,033)	(19,062,628)
<b>NET PREMIUMS WRITTEN</b>	<b>932,586,420</b>	<b>756,902,762</b>	<b>1,834,422,359</b>	<b>1,460,699,214</b>
Change in unearned premiums, net	(110,308,793)	(147,281,891)	(207,502,602)	(279,318,333)
Change in other claim reserves	(16,062,141)	435,135	(15,917,857)	379,328
<b>NET PREMIUMS EARNED</b>	<b>806,215,486</b>	<b>610,056,006</b>	<b>1,611,001,900</b>	<b>1,181,760,209</b>
Gross claims paid and other expenses	(856,716,792)	(661,554,720)	(1,529,689,679)	(1,332,691,269)
Reinsurers' share of gross claims paid	173,231,849	122,532,129	313,095,244	276,392,778
Change in outstanding claims, net	(5,373,767)	(21,528,190)	(147,994,431)	6,918,640
<b>NET CLAIMS INCURRED</b>	<b>(688,858,710)</b>	<b>(560,550,781)</b>	<b>(1,364,588,866)</b>	<b>(1,049,379,851)</b>
Policy acquisition costs	(36,657,698)	(4,135,622)	(77,552,725)	(33,945,296)
Reinsurance commission income	25,396,123	29,387,488	44,639,706	57,688,002
<b>NET UNDERWRITING RESULT</b>	<b>106,095,201</b>	<b>74,757,091</b>	<b>213,500,015</b>	<b>156,123,064</b>
General and administrative expenses	(66,085,592)	(66,980,147)	(139,009,677)	(127,298,166)
Special commission income	1,728,118	1,048,537	4,750,902	2,899,074
Other income	14,174,054	8,433,829	30,957,367	18,533,664
<b>INSURANCE OPERATIONS' SURPLUS</b>	<b>55,911,781</b>	<b>17,259,310</b>	<b>110,198,607</b>	<b>50,257,636</b>
Shareholders' appropriation from insurance operations' surplus	2 (50,320,603)	(15,533,378)	(99,178,746)	(45,231,872)
<b>ACCUMULATED SURPLUS AT THE END OF THE PERIOD</b>	<b>5,591,178</b>	<b>1,725,932</b>	<b>11,019,861</b>	<b>5,025,764</b>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS  
(Amounts in SR)

	Notes	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
		<i>30 June 2014 (Unaudited)</i>	<i>30 June 2013 (Unaudited)</i>	<i>30 June 2014 (Unaudited)</i>	<i>30 June 2013 (Unaudited)</i>
<b>INCOME</b>					
Shareholders' appropriation from insurance operations' surplus	2	<b>50,320,603</b>	15,533,378	<b>99,178,746</b>	45,231,872
Special commission income		<b>1,703,561</b>	3,598,635	<b>4,758,949</b>	7,265,805
Realised (loss) on sale of available for sale investments		<b>(787,500)</b>	-	<b>(1,021,115)</b>	-
Dividend income on available for sale investments		<b>1,493,034</b>	1,493,221	<b>1,598,177</b>	1,596,124
		<b>52,729,698</b>	20,625,234	<b>104,514,757</b>	54,093,801
<b>EXPENSES</b>					
General and administrative		<b>(779,040)</b>	(2,820,347)	<b>(1,752,517)</b>	(5,605,073)
<b>NET INCOME FOR THE PERIOD</b>					
		<b>51,950,658</b>	17,804,887	<b>102,762,240</b>	48,488,728
<b>BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD</b>					
	13	<b>0.519</b>	0.178	<b>1.028</b>	0.485

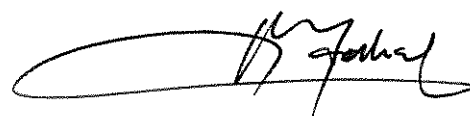



The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2014 (Unaudited)</i>	<i>30 June 2013 (Unaudited)</i>	<i>30 June 2014 (Unaudited)</i>	<i>30 June 2013 (Unaudited)</i>
<b>NET INCOME FOR THE PERIOD</b>	<b>51,950,658</b>	<b>17,804,887</b>	<b>102,762,240</b>	<b>48,488,728</b>
<b>OTHER COMPREHENSIVE (LOSS)</b>				
Zakat and income tax	(6,351,483)	(4,163,158)	(13,072,584)	(10,845,512)
Change in fair values of available for sale investments	2,587,097	1,625,830	5,816,941	2,519,224
Other comprehensive loss for the period	(3,764,386)	(2,537,328)	(7,255,643)	(8,326,288)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>48,186,272</b>	<b>15,267,559</b>	<b>95,506,597</b>	<b>40,162,440</b>

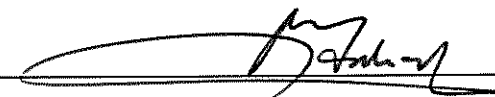
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended 30 June 2014

(Amounts in SR)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained (deficit) / earnings</i>	<i>Cumulative change in fair values of available for sale investments</i>	<i>Total</i>
<b>Balance at 1 January 2014 (Audited)</b>	<b><u>1,000,000,000</u></b>	<b><u>139,374,369</u></b>	<b><u>(159,694,752)</u></b>	<b><u>16,254,049</u></b>	<b><u>995,933,666</u></b>
Net income for the period	-	-	102,762,240	-	102,762,240
Other comprehensive income / (loss) for the period	-	-	(13,072,584)	5,816,941	(7,255,643)
Total comprehensive income for the period	-	-	89,689,656	5,816,941	95,506,597
<b>Balance at 30 June 2014 (Unaudited)</b>	<b><u>1,000,000,000</u></b>	<b><u>139,374,369</u></b>	<b><u>(70,005,096)</u></b>	<b><u>22,070,990</u></b>	<b><u>1,091,440,263</u></b>
Balance at 1 January 2013 (Audited)	800,000,000	139,374,369	237,497,478	9,283,283	1,186,155,130
Net income for the period	-	-	48,488,728	-	48,488,728
Other comprehensive income / (loss) for the period	-	-	(10,845,512)	2,519,224	(8,326,288)
Total comprehensive income for the period	-	-	37,643,216	2,519,224	40,162,440
Bonus shares issued	200,000,000	-	(200,000,000)	-	-
Balance at 30 June 2013 (Unaudited)	<u>1,000,000,000</u>	<u>139,374,369</u>	<u>75,140,694</u>	<u>11,802,507</u>	<u>1,226,317,570</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.



The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the six month period ended 30 June 2014

(Amounts in SR)

	Notes	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Insurance operations' surplus after shareholders' appropriation		11,019,861	5,025,764
<i>Adjustments to reconcile insurance operations' surplus after shareholders' appropriation to net cash from operating activities:</i>			
Depreciation		7,296,208	4,088,137
Special commission income		(4,750,902)	(2,899,074)
Gain on sale of property and equipment, net		(571)	(273,933)
Gross unearned premiums		286,358,638	279,994,597
Reinsurers' share of unearned premiums		(78,856,036)	(676,264)
<i>Cash from operations</i>		<u>221,067,198</u>	<u>285,259,227</u>
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurance balances receivable		(511,753,361)	(130,963,446)
Due from related parties		(5,619,127)	(18,021,264)
Due to related parties		16,276,615	7,141,111
Reinsurers' share of outstanding claims		(45,008,505)	(198,196,028)
Deferred policy acquisition costs		(53,395,137)	(49,814,716)
Prepayments and other assets		(142,178,662)	(161,159,469)
Gross outstanding claims		193,002,936	191,277,388
Due from shareholders' operations, net		317,942,954	12,187,223
Accounts and commissions payable		48,522,537	22,686,893
Accrued expenses and other liabilities		9,121,855	1,717,956
Reinsurance balances payable		(106,434,125)	15,848
Unearned reinsurance commission		26,380,081	(4,260,427)
Other reserves		15,917,858	(379,328)
<b>Net cash (used in) operating activities</b>		<u>(16,156,883)</u>	<u>(42,509,032)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Time deposits		(257,116,543)	9,204,411
Special commission income		4,750,902	2,899,074
Proceeds from sale of property and equipment		1,900	431,003
Purchase of available for sale investments	8a	(26,632,650)	-
Purchase of property and equipment		(18,224,167)	(1,574,355)
<b>Net cash (used in) / from investing activities</b>		<u>(297,220,558)</u>	<u>10,960,133</u>
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>(313,377,441)</u>	<u>(31,548,899)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<u>686,594,970</u>	<u>282,656,404</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<u>373,217,529</u>	<u>251,107,505</u>
<b><u>Non-cash transaction:</u></b>			
Change in fair values of available for sale investments		<u>734,854</u>	<u>580,747</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the six month period ended 30 June 2014

(Amounts in SR)

	Notes	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period		102,762,240	48,488,728
<i>Adjustments for:</i>			
Special commission income		(4,758,949)	(7,265,805)
Dividend income on available for sale investments		(1,598,177)	(1,596,124)
Realised gains on sale of available for sale investments		1,021,115	-
Impairment on investment in an associate	9	-	4,000,000
Cash from operations		<u>97,426,229</u>	<u>43,626,799</u>
<i>Changes in operating assets and liabilities:</i>			
Due to insurance operations, net		(317,942,954)	(12,187,223)
Accrued expenses and other liabilities		365,000	542,000
Zakat and income tax paid		-	(30,436,628)
Prepayments and other assets		<u>1,303,790</u>	<u>(224,078)</u>
<b>Net cash (used in) / from operating activities</b>		<u>(218,847,935)</u>	<u>1,320,870</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Time deposits		120,133,706	(416,165)
Purchase of available for sale investments	8b	(48,603,386)	(10,000,000)
Proceeds from sale of available for sale investments		26,259,320	15,010,267
Special commission income		4,758,949	7,265,805
Dividend income on available for sale investments		<u>1,598,177</u>	<u>1,596,124</u>
<b>Net cash from investing activities</b>		<u>104,146,766</u>	<u>13,456,031</u>
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(114,701,169)</u>	<u>14,776,901</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	5	<u>322,102,719</u>	<u>286,624,155</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<u>207,401,550</u>	<u>301,401,056</u>
<i>Non-cash transactions:</i>			
Change in fair values of available for sale investments		<u>5,816,941</u>	<u>2,519,224</u>
Increase in share capital due to bonus issue		<u>-</u>	<u>200,000,000</u>

# The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

30 June 2014

### 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231925 dated 8 Rabi Al-Thani 1428H (corresponding to 26 April 2007). The registered office address of the Company is P.O.Box: 2302, Riyadh 11451, Kingdom of Saudi Arabia. The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 28 Rabi Al-Awal 1428H (corresponding to 16 April 2007).

### 2. BASIS OF PREPARATION

#### *Basis of measurement*

The interim condensed financial statements have been prepared on a historic cost basis except for the measurement at fair value of available for sale investments and investment in an associate which is accounted for under the equity method.

#### *Statement of compliance*

The accompanying interim condensed financial statements for the six month period ended 30 June 2014 are prepared in accordance with IAS 34 – Interim Financial Reporting.

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

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA").

The insurance operations' surplus of the Company for the six month period ended 30 June 2014 amounted to SR 110,198,607 (30 June 2013: SR. 50,257,636). Accordingly, 90% of insurance operation surplus amounting to SR 99,178,746 (30 June 2013: SR. 45,231,872) has been transferred to the shareholders' operations for the period, leaving a surplus payable to policyholders of SR 11,019,861 for the period ended 30 June 2014 (30 June 2013: SR 5,025,764).

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

As required by Saudi Arabian Insurance Regulations, the Company maintains separate accounts for insurance and shareholders' operations and presented the financial statements accordingly. Income and expenses clearly attributable to the relevant activity are recorded in the respective books of accounts. The basis of allocation of expenses from joint operations is determined by Management and Board of Directors.

### 3. FUNCTIONAL AND PRESENTATION CURRENCY

These unaudited interim condensed financial statements have been presented in Saudi Arabian Riyal (SAR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest SAR.

### 4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013. The Company has adopted the following new standards and amendment, which are effective for the Company's financial years starting 2014 and thereafter. Adoption of these standards will not result any significant impact on Company's financial statements:

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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**4. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS (Continued)**

*New and amended standards issued and adopted*

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

The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment is effective for annual periods beginning on or after 1 January 2014.

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

The amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

*Standards issued but not yet effective*

In addition to the above mentioned standards, following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

*IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

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(UNAUDITED) (Continued)

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5. CASH AND CASH EQUIVALENTS

	<i>30 June 2014</i>		<i>31 December 2013</i>	
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	<i>Insurance operations</i>	<i>Shareholders' operations</i>	<i>Insurance operations</i>	<i>Shareholders' operations</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cash in hand and at banks	175,686,699	40,055,881	478,291,081	20,958,696
Short term time deposits	197,530,830	167,345,669	208,303,889	301,143,483
	<u>373,217,529</u>	<u>207,401,550</u>	<u>686,594,970</u>	<u>322,102,719</u>

Cash at banks and short term time deposits are placed with counterparties who have credit ratings equivalent to A- to B ratings under Standard and Poor's and Moody's ratings methodology.

Short term time deposits are placed with local banks with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 0.83% per annum (31 December 2013: 2.66% per annum).

The carrying amounts disclosed above reasonably approximate their fair values at the reporting date.

6. TIME DEPOSITS

Time deposits are placed with counterparties that have credit ratings equivalent to A+ to A- ratings under Standard and Poor's and Moody's ratings methodology.

Time deposits are placed with local banks with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 1.0% per annum (31 December 2013: 1.8% per annum).

The carrying amounts of the time deposits reasonably approximate their fair values at the reporting date.

7. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

	<i>30 June 2014</i>	<i>31 December 2013</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>SR</i>	<i>SR</i>
Premiums receivable	1,715,668,230	1,254,544,899
Less: Provision for doubtful debts	(136,147,629)	(138,286,694)
	<u>1,579,520,601</u>	<u>1,116,258,205</u>
Reinsurance balances receivable	177,640,621	127,010,591
Less: Provision for doubtful debts	(5,353,903)	(3,214,838)
	<u>172,286,718</u>	<u>123,795,753</u>
	<u>1,751,807,319</u>	<u>1,240,053,958</u>

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30 June 2014

8. INVESTMENTS

(a) Insurance operations – Available for sale investments

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Mutual funds	52,585,392	52,341,125
Bonds	38,485,687	38,533,875
Sukuk	25,000,000	-
Equities	2,171,425	-
<b>Total available for sale investments</b>	<b>118,242,504</b>	<b>90,875,000</b>

The movement during the period / year in available for sale investments for insurance's operations were as follows:

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
At the beginning of the period / year	90,875,000	110,373,947
Purchase / (sold) during the period / year	26,632,650	(20,000,000)
Net change in fair values	117,507,650 734,854	90,373,947 501,053
At the end of the period / year	<b>118,242,504</b>	<b>90,875,000</b>

The cumulative change as of 30 June 2014 in fair values of available for sale investments for insurance operations amounting to SR 2,354,345 (31 December 2013: SR 1,619,491) is presented within insurance operations' surplus' in the interim statement of financial position.

(b) Shareholders' operations – Available for sale investments

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Mutual funds	90,442,737	86,148,467
Bonds	59,428,177	36,539,925
Sukuk	69,646,030	69,688,660
Equities	18,750,000	18,750,000
<b>Total available for sale investments</b>	<b>238,266,944</b>	<b>211,127,052</b>

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(UNAUDITED) (Continued)

30 June 2014

8. INVESTMENTS (Continued)

The movement during the period / year in available for sale investments for shareholders' operations were as follows:

	<i>30 June 2014</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2013</i> <i>(Audited)</i> <i>SR</i>
At the beginning of the period / year	211,127,052	196,858,681
Purchased during the period / year	48,603,386	29,972,505
Sold during the period / year	(26,259,320)	(22,512,592)
	<u>233,471,118</u>	<u>204,318,594</u>
Realised loss	(1,021,115)	(162,308)
Net change in fair values	5,816,941	6,970,766
	<u>238,266,944</u>	<u>211,127,052</u>

The cumulative change as of 30 June 2014 in fair values of available for sale investments for shareholders' operations amounting to SR 22,070,990 (31 December 2013: SR 16,254,049) is presented within shareholders' equity in the interim statement of financial position.

(c) *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the interim condensed financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

*Determination of fair value and fair value hierarchy*

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted prices in active markets for the same instrument (i.e. without modification or repackaging).
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy cumulatively for insurance and shareholders operations:

	<i>30 June 2014</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>Available for sale investments</i>				
Mutual funds	135,813,129	7,215,000	-	143,028,129
Bonds	97,913,864	-	-	97,913,864
Sukuk	28,649,960	65,996,070	-	94,646,030
Equities	2,171,425			2,171,425
	<u>264,548,378</u>	<u>73,211,070</u>	<u>-</u>	<u>337,759,448</u>

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(UNAUDITED) (Continued)

30 June 2014

8. INVESTMENTS (Continued)

	31 December 2013			Total SR
	Level 1 SR	Level 2 SR	Level 3 SR	
<i>Available for sale investments</i>				
Mutual funds	130,959,592	7,530,000	-	138,489,592
Bonds	75,073,800	-	-	75,073,800
Sukuk	28,693,160	40,995,500	-	69,688,660
<i>Total available for sale investments</i>	<u>234,726,552</u>	<u>48,525,500</u>	<u>-</u>	<u>283,252,052</u>

The unlisted securities amounting to SR 18,750,000 were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

9. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment amounting to SR 14,000,000 (a 25% equity interest) (2013: SR 14,000,000), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia. The carrying amount is net of impairment charge of SAR 8,000,000.

10. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency ("SAMA").



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30 June 2014

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

- (a) The following are the details of major related party transactions during the period / year and their balances at the end of the period:

<u>Related parties</u>	<u>Nature of transaction</u>	<u>Amount of transaction for the six months period ended</u>		<u>Balance</u>	
		<u>30 June 2014</u> <i>(Unaudited)</i> <i>SR</i>	<u>30 June 2013</u> <i>(Unaudited)</i> <i>SR</i>	<u>30 June 2014</u> <i>(Unaudited)</i> <i>SR</i>	<u>31 December 2013</u> <i>(Audited)</i> <i>SR</i>
<b><u>Due from related parties</u></b>					
Medgulf BSC <i>(shareholder)</i>	Claims payments, recovery of premiums for group policies and other expenses paid on behalf of Medgulf BSC	1,363,871	14,854,112	48,965,302	47,601,431
Motion al-Saudia <i>(affiliate)</i>	Operational expenditures paid on behalf of affiliate	-	23,964	10,924,474	10,924,474
Addison Bradley Arabia- KSA <i>(affiliate)</i>	Operational expenditures paid on behalf of affiliate	3,038,820	2,583,561	13,060,146	10,021,326
Other related parties		1,216,436	982,664	1,508,318	291,882
				<b>74,458,240</b>	<b>68,839,113</b>
<b><u>Due to related parties</u></b>					
Medivisa KSA <i>(affiliate)</i>	Claims administration fee (for medical) and Operational expenditures, net	17,098,858	12,454,227	26,991,288	9,892,430
Al Samya Trading Co <i>(affiliate)</i>	Brokers commissions	822,243	351,780	1,366,110	2,188,353
Other related parties		-	5,289,787	-	-
				<b>28,357,398</b>	<b>12,080,783</b>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 June 2014

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related parties	Nature of transaction	Amount of transaction for the six months period ended		Balance	
		30 June 2014 (Unaudited) SR	30 June 2013 (Unaudited) SR	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
The Saudi Investment Bank. (Founding shareholders)	- Current account and time deposit	2,828,608	1,025,083	111,554,100	108,725,492
	- Commission income on time deposits	313,038	19,556	543,714	230,676
Other related parties	- Gross premiums written	32,880,007	31,911,574	26,998,070	9,402,435
	- Claims incurred	12,088,291	13,589,145	1,346,501	920,397
	- Premiums ceded	8,643,974	29,454,408	346,134	8,990,108
	- Brokerage commission	5,204	155,770	1,415,826	1,410,622

(b) The remuneration of the Board of Directors and other key management personnel during the period is as follows:

	For the six month period ended	
	30 June 2014 (Unaudited) (SR)	30 June 2013 (Unaudited) (SR)
Short term benefits	6,283,480	8,256,989
End of service benefits	185,397	582,767
	<u>6,468,877</u>	<u>8,839,756</u>

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 set out below.

Segment results do not include allocation of general and administrative expenses, special commission income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, investments, premiums and reinsurance balances receivable, prepayments and other assets, due from related parties, and property and equipment, net, to the operating segments.

Segment liabilities do not include allocation of accounts and commission payable, reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations, surplus distribution payable and other reserves to operating segments.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 June 2014

12. SEGMENTAL INFORMATION (Continued)

Shareholders' operations is a non-operating segment. Certain direct operating expenses, other overhead expenses and surplus from the insurance operations are allocated to this segment on an appropriate basis as approved by management.

*Operating segments*

*For the six month period ended  
June 2014 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b><i>Insurance operations</i></b>				
Gross premiums written	1,731,542,144	358,939,669	392,007,481	2,482,489,294
Net premiums written	1,471,810,822	293,373,925	69,237,612	1,834,422,359
Net premiums earned	1,390,822,978	176,878,459	43,300,463	1,611,001,900
Net claims incurred	(1,188,063,358)	(166,208,984)	(10,316,524)	(1,364,588,866)
Policy acquisition costs	(58,670,926)	(12,511,828)	(6,369,971)	(77,552,725)
Reinsurance commission income	15,583,879	10,755,679	18,300,148	44,639,706
Net underwriting result	159,672,573	8,913,326	44,914,116	213,500,015
General and administrative expenses				(139,009,677)
Special commission income and other income				35,708,269
Insurance operations' surplus				110,198,607

*For the six month period ended  
June 2013 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b><i>Insurance operations</i></b>				
Gross premiums written	1,357,194,612	230,298,834	320,026,097	1,907,519,543
Net premiums written	1,139,731,395	225,175,372	95,792,447	1,460,699,214
Net premiums earned	1,004,942,571	130,351,861	46,465,777	1,181,760,209
Net claims incurred	(935,390,648)	(103,701,177)	(10,288,026)	(1,049,379,851)
Policy acquisition costs	(7,209,734)	(10,222,335)	(16,513,227)	(33,945,296)
Reinsurance commission income	20,357,919	892,602	36,437,481	57,688,002
Net underwriting result	82,700,108	17,320,951	56,102,005	156,123,064
General and administrative expenses				(127,298,166)
Special commission income and other income				21,432,738
Insurance operations' surplus				50,257,636

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 June 2014

12. SEGMENTAL INFORMATION (Continued)

*Operating segments (Continued)*

*For the three month period ended  
June 2014 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b><i>Insurance operations</i></b>				
Gross premiums written	888,240,547	183,793,935	246,859,522	1,318,894,004
Net premiums written	755,004,465	146,547,826	31,034,129	932,586,420
Net premiums earned	700,713,191	82,780,626	22,721,669	806,215,486
Net claims incurred	(601,456,267)	(80,852,071)	(6,550,372)	(688,858,710)
Policy acquisition costs	(26,699,248)	(7,132,490)	(2,825,960)	(36,657,698)
Reinsurance commission income	2,934,355	8,217,005	14,244,763	25,396,123
Net underwriting result	75,492,031	3,013,070	27,590,100	106,095,201
General and administrative expenses				(66,085,592)
Special commission income and other income				15,902,172
Insurance operations' surplus				55,911,781

*For the three month period ended  
June 2013 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b><i>Insurance operations</i></b>				
Gross premiums written	738,100,917	82,197,281	176,083,086	996,381,284
Net premiums written	620,538,257	84,206,240	52,158,265	756,902,762
Net premiums earned	512,797,829	71,284,388	25,973,789	610,056,006
Net claims incurred	(497,771,015)	(55,624,135)	(7,155,631)	(560,550,781)
Policy acquisition costs	6,852,350	(4,815,769)	(6,172,203)	(4,135,622)
Reinsurance commission income	15,714,717	257,488	13,415,283	29,387,488
Net underwriting result	37,593,881	11,101,972	26,061,238	74,757,091
General and administrative expenses				(66,980,147)
Special commission income and other income				9,482,366
Insurance operations' surplus				17,259,310

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12. SEGMENTAL INFORMATION (Continued)

*Operating segments (Continued)*

<i>As at 30 June 2014 (Unaudited)</i>	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b><i>Insurance operations' assets</i></b>				
Reinsurers' share of unearned premiums	221,351,370	64,102,702	712,804,892	998,258,964
Reinsurers' share of outstanding claims	161,459,102	27,991,627	461,244,941	650,695,670
Deferred policy acquisition costs	174,990,032	18,207,460	35,051,740	228,249,232
Unallocated assets	-	-	-	3,094,963,769
				<u>4,972,167,635</u>
<b><i>Insurance operations' liabilities and surplus</i></b>				
Gross unearned premiums	1,475,675,800	301,557,799	807,756,050	2,584,989,649
Unearned reinsurance commission	10,389,253	2,535,463	53,228,037	66,152,753
Gross outstanding claims	1,070,536,331	86,697,514	487,675,005	1,644,908,850
Unallocated liabilities	-	-	-	676,116,383
				<u>4,972,167,635</u>
<i>As at 31 December 2013 (Audited)</i>	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b><i>Insurance operations' assets</i></b>				
Reinsurers' share of unearned premiums	242,708,330	24,749,519	651,945,079	919,402,928
Reinsurers' share of outstanding claims	168,344,497	22,158,634	415,184,034	605,687,165
Deferred policy acquisition costs	142,318,219	5,371,905	27,163,971	174,854,095
Unallocated assets	-	-	-	2,642,564,673
				<u>4,342,508,861</u>
<b><i>Insurance operations' liabilities and surplus</i></b>				
Gross unearned premiums	1,416,044,916	161,136,803	721,449,292	2,298,631,011
Unearned reinsurance commission	-	557,769	39,214,903	39,772,672
Gross outstanding claims	913,459,313	99,791,953	438,654,648	1,451,905,914
Unallocated liabilities	-	-	-	552,199,264
				<u>4,342,508,861</u>

13. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period was calculated by dividing the net income for the period by the weighted average number of shares issued and outstanding during the period amounting to 100 million shares.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (Continued)

30 June 2014

**14. SHARE CAPITAL**

The authorized and paid up share capital of the Company is SR 1,000 million divided into 100 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for 75 million shares (SR 750 million) with a nominal value of SR 10 each, which represent 75% of the shares of the Company and the remaining 25 million shares (SR 250 million) with a nominal value of SR 10 each which represent 25% of the shares of the Company, have been subscribed by the general public.

**15. STATUTORY RESERVE**

In accordance with its Bye-laws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital. The reserve is not available for distribution.

**16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Board of Directors on 16 Ramadan 1435H (corresponding to 14 July 2014).