

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

For the three month and six month periods ended  
30 June 2012

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

30 June 2012

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2012**

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Kingdom of Saudi Arabia

### REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

#### THE SHAREHOLDERS

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**

**(SAUDI JOINT STOCK COMPANY)**

**KINGDOM OF SAUDI ARABIA**

#### Scope of review

We have reviewed the accompanying interim statement of financial position of Allied Cooperative Insurance Group (ACIG) – a Saudi Joint Stock Company ('the Company') as at 30 June 2012, and the related interim statements of insurance operations and accumulated deficit, shareholders' comprehensive income for the three month and six month periods then ended, and the related statements of changes in shareholders' equity, insurance operations cash flows and shareholders' operations cash flows for the six month period then ended, together with the notes forming part thereof. 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. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review. 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 Generally Accepted Auditing Standards 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.

#### Explanatory Paragraphs

We draw attention to Note 2 to the accompanying interim condensed financial statements. As at 30 June 2012, the Company had accumulated losses of SR 87.05 million (31 December 2011: SR 80.93 million) and has incurred loss of SR 6.12 million for the six months period ended 30 June 2012. This exceeds 75% of the Company's share capital thereby resulting in applicability of Article 148 of the Companies Regulations and Article 68 (2) D of the insurance regulations. As required by Article 148 of the Companies Regulations, the shareholders have resolved to continue the business in an extraordinary general meeting (EGM) convened on 11 June 2012. The continuation of the operations of the Company is dependent on the future profitability of business and the pending increase in the share capital through a rights issue which was approved by SAMA in October 2010 which to date is in progress. The Company has subsequently applied to Capital Market Authority for approval of rights issue which has not yet been granted.

The above mentioned conditions indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The accompanying interim condensed financial statements do not include any adjustments that may be necessary as a result of these uncertainties.



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As described in Note 2 to the interim condensed financial statements, it is the intention of management to continue to operate the Company. However, due to the uncertainties mentioned above, this cannot be assured. This raises significant doubt about the Company's ability to continue as a going concern.

### Conclusion

Because of the significance of the matters described in the Explanatory Paragraphs, we do not express a conclusion on these interim condensed financial statements.

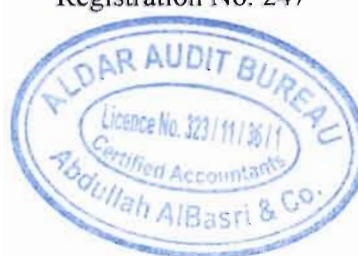
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Jeddah, Kingdom of Saudi Arabia  
2 Ramadaan 1433 H  
21 July 2012

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

**INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2012**

		<b>30 June 2012 SR '000 (Unaudited)</b>	<b>31 December 2011 SR '000 (Audited)</b>
	<b>Note</b>		
<b>INSURANCE OPERATIONS ASSETS</b>			
Cash and cash equivalents	6	39,582	58,384
Premiums and reinsurance receivable – gross		7,713	9,575
Allowances for doubtful receivable		(612)	(672)
Premiums and reinsurance receivable - net		7,101	8,903
Reinsurance share of outstanding claims	8	1,815	1,861
Reinsurance share of unearned premium	9	11,330	11,422
Deferred policy acquisition cost		12,348	17,835
Due from shareholders' operations	10	16,173	9,467
Prepayments, advances and other receivables		3,361	2,710
Furniture, fittings and equipment		4,828	5,222
<b>Total insurance operations assets</b>		<b>96,538</b>	<b>115,804</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	6	13,497	13,492
Prepayments, advances and other receivables		3,645	3,120
Investments	7	2,877	2,877
Statutory deposit		10,000	10,000
<b>Total shareholders' assets</b>		<b>30,019</b>	<b>29,489</b>
<b>Total assets</b>		<b>126,557</b>	<b>145,293</b>





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



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

**INTERIM STATEMENT OF FINANCIAL POSITION**

As at 30 June 2012

		<b>30 June 2012 SR '000 (Unaudited)</b>	<b>31 December 2011 SR '000 (Audited)</b>
	<b>Note</b>		
<b>INSURANCE OPERATIONS LIABILITIES AND DEFICIT</b>			
Outstanding claims	8	11,358	20,556
Reinsurance balance payable		6,765	7,347
Unearned premium	9	71,715	81,201
Unearned commission		1,895	1,864
Accrued expenses and other liabilities		3,230	3,409
Employees' end of service benefits		1,575	1,427
<b>Total insurance operations liabilities</b>		<b>96,538</b>	<b>115,804</b>
Deficit from Insurance Operations		--	--
<b>Total insurance operations liabilities and deficit</b>		<b>96,538</b>	<b>115,804</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Due to insurance operations	10	16,173	9,467
Accrued expenses and other liabilities		429	403
Accrued zakat	11	467	548
<b>Total shareholders' liabilities</b>		<b>17,069</b>	<b>10,418</b>
<b>Shareholders' equity</b>			
Share capital		100,000	100,000
Accumulated loss		(87,050)	(80,929)
<b>Total shareholders' equity</b>		<b>12,950</b>	<b>19,071</b>
<b>Total shareholders' liabilities and equity</b>		<b>30,019</b>	<b>29,489</b>
<b>Total liabilities, Insurance Operations deficit and Shareholders' equity</b>		<b>126,557</b>	<b>145,293</b>




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

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED DEFICIT**  
**(UNAUDITED)**

For the three month and six month periods ended 30 June 2012

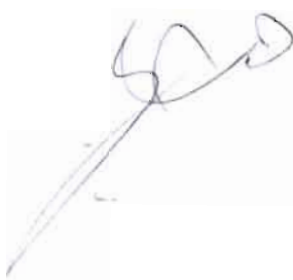
	<i>For the three- month period ended 30 June 2012 SR '000</i>	<i>For the six -month period ended 30 June 2012 SR '000</i>	<i>For the three- month period ended 30 June 2011 SR '000</i>	<i>For the six- month period ended 30 June 2011 SR '000</i>
<b>REVENUE</b>				
Gross written premium	11,406	79,176	41,389	89,052
Premium ceded	(6,072)	(13,408)	(4,664)	(13,616)
Retained written premium	5,334	65,768	36,725	75,436
Net movement in unearned premium	31,010	9,394	(5,651)	(21,178)
Excess of loss premium	(1,274)	(2,444)	(562)	(1,109)
Net earned premium	35,070	72,718	30,512	53,149
Reinsurance commission earned	912	1,733	1,165	2,245
<b>Total insurance revenue</b>	<b>35,982</b>	<b>74,451</b>	<b>31,677</b>	<b>55,394</b>
<b>CLAIMS</b>				
Gross claims paid	32,118	57,542	17,930	26,814
Claims recovered from reinsurance	(832)	(1,950)	(806)	(1,140)
Net claims paid	31,286	55,592	17,124	25,674
Net movement in outstanding claims	(8,294)	(9,152)	(155)	1,336
Net claims incurred	22,992	46,440	16,969	27,010
Policy acquisition cost	8,793	19,020	8,339	14,577
	31,785	65,460	25,308	41,587
<b>Net underwriting result</b>	<b>4,197</b>	<b>8,991</b>	<b>6,369</b>	<b>13,807</b>
General and administrative expenses	(6,884)	(14,374)	(6,053)	(12,659)
<b>(Deficit) / surplus from insurance operations</b>	<b>(2,687)</b>	<b>(5,383)</b>	<b>316</b>	<b>1,148</b>
Shareholders' share of surplus from insurance operations	--	--	(284)	(1,033)
Policyholders' share of surplus/ (deficit) from insurance operations	(2,687)	(5,383)	32	115
Deficit transferred to shareholders' operations	2,687	5,383	--	--
<b>Accumulated Surplus at the end of the period</b>	<b>--</b>	<b>--</b>	<b>32</b>	<b>115</b>

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

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

**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME (UNAUDITED)**  
For the three month and six month periods ended 30 June 2012

	<i>For the three-month period ended 30 June 2012 SR '000</i>	<i>For the six- month period ended 30 June 2012 SR '000</i>	<i>For the three-month period ended 30 June 2011 SR '000</i>	<i>For the six- month period ended 30 June 2011 SR '000</i>
(Deficit) / surplus from insurance operations	(2,687)	(5,383)	284	1,033
<b>EXPENSES</b>				
General and administrative expenses	(217)	(488)	(126)	(252)
<b>Net (loss) / profit for the period</b>	<b>(2,904)</b>	<b>(5,871)</b>	<b>158</b>	<b>781</b>
<b>Other comprehensive income/(expense)</b>				
Zakat for the period	(250)	(250)	(63)	(210)
<b>Comprehensive (loss) / income for the period</b>	<b>(3,154)</b>	<b>(6,121)</b>	<b>95</b>	<b>571</b>
Weighted average number of ordinary shares outstanding (in thousands)	10,000	10,000	10,000	10,000
(Loss) / earning per share (Saudi Arabian Riyals)	(0.29)	(0.59)	0.02	0.08






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



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

**INTERIM STATEMENT OF INSURANCE OPERATIONS CASH FLOWS (UNAUDITED)**  
For the six month period ended 30 June 2012

	<u>30 June 2012</u> SR '000	<u>30 June 2011</u> SR '000
<b>OPERATING ACTIVITIES</b>		
Net deficit/surplus for the period from Insurance Operations	--	115
Adjustments for:		
Depreciation	616	556
Investment income	--	(47)
Loss on disposal of furniture, fittings and equipment	(1)	5
Employees' end of service benefits, net	148	(176)
	<u>763</u>	<u>453</u>
Changes in assets and liabilities:		
Premiums and reinsurance receivable – net	1,802	12,085
Reinsurance share of outstanding claims	46	(8,804)
Reinsurance share of unearned premium	92	1,239
Deferred policy acquisition cost	5,487	(6,685)
Due from shareholders' operations	(6,706)	9,884
Prepayments, advances and other receivables	(651)	(733)
Outstanding claims	(9,198)	10,141
Reinsurance balance payable	(582)	(7,741)
Unearned premium	(9,486)	19,940
Unearned commission	31	(178)
Accrued expenses and other liabilities	(177)	878
Due to a related party	--	(2,936)
Due to shareholders' operations	--	1,033
Net cash (used in) / from operating activities	<u>(18,579)</u>	<u>28,576</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment	--	(13,000)
Proceeds from redemption of investment	--	23,067
Purchase of furniture, fittings and equipment	(224)	(264)
Proceeds from disposal of furniture, fittings and office equipment	1	1
Net cash (used in) / from investing activities	<u>(223)</u>	<u>9,804</u>
<b>(Decrease) / increase in cash and cash equivalents</b>	<u>(18,802)</u>	<u>38,380</u>
Cash and cash equivalents at 1 January	<u>58,384</u>	<u>23,662</u>
<b>Cash and cash equivalents at 30 June</b>	<u>39,582</u>	<u>62,042</u>

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

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

**INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS (UNAUDITED)**  
For the six month period ended 30 June 2012

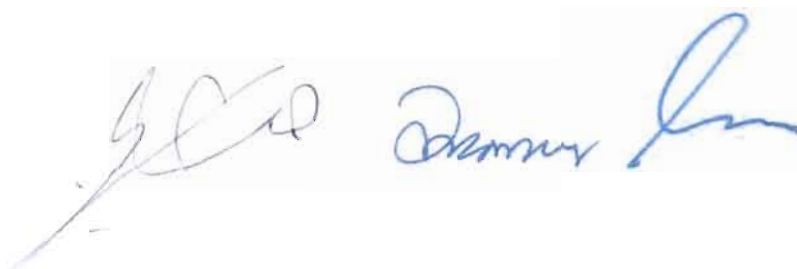
	<u>30 June 2012</u> SR '000	<u>30 June 2011</u> SR '000
<b>OPERATING ACTIVITIES</b>		
Net (loss) / income for the period	(5,871)	781
Adjustment for:		
Investment income	--	(30)
	<u>(5,871)</u>	<u>751</u>
Changes in assets and liabilities:		
Prepayments, advances and other receivables	(525)	(385)
Due to insurance operations	6,706	(9,884)
Accrued expenses and other liabilities	26	9
Due from insurance operations	--	(1,033)
Zakat paid	(331)	(579)
Net cash from / (used in) operating activities	<u>5</u>	<u>(11,121)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of trading investments	--	(24,800)
Proceeds from redemption of trading investments	--	24,846
Net cash from investing activities	<u>--</u>	<u>46</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>5</b>	<b>(11,075)</b>
Cash and cash equivalents at 1 January	<u>13,492</u>	<u>25,242</u>
<b>Cash and cash equivalents at 30 June</b>	<b><u>13,497</u></b>	<b><u>14,167</u></b>

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

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

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
For the six month period ended 30 June 2012

	<i>Share capital SR '000</i>	<i>Accumulated loss SR '000</i>	<i>Total SR '000</i>
Balance as at 31 December 2011 (Audited)	100,000	(80,929)	19,071
Net loss for the six month period	--	(5,871)	(5,871)
Zakat for the six month period	--	(250)	(250)
<b>Balance as at 30 June 2012</b>	<b>100,000</b>	<b>(87,050)</b>	<b>12,950</b>
Balance as at 31 December 2010 (Audited)	100,000	(70,444)	29,556
Net income for the six month period	--	781	781
Zakat for the six month period	--	(210)	(210)
<b>Balance as at 30 June 2011</b>	<b>100,000</b>	<b>(69,873)</b>	<b>30,127</b>



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

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

30 June 2012

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**1. REPORTING ENTITY AND OPERATIONS**

Allied Cooperative Insurance Group (ACIG) ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 179/Q dated 8 Rajab 1428 H (corresponding to 22 July 2007). The Commercial Registration number of the Company is 4030171999 dated 9 Shabaan 1428H, (corresponding to 22 August 2007). The Registered Office of the Company is situated at:

Al Ruwais District,  
P.O. Box 7076,  
Jeddah 21462,  
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 32/M dated 2 Jumadi Akhir 1424 H (corresponding to 31 July 2003) pursuant to the Council of Ministers' Resolution No. 60/M dated 18 Ramadan 1427 H (corresponding to 11 October 2006).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association and applicable regulations in the Kingdom of 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. GOING CONCERN**

As at 30 June 2012, the Company has accumulated losses of SR 87.05 million (31 December 2011: SR 80.93 million) and has incurred loss of SR 6.12 million for the six months period ended 30 June 2012. This exceed 75% of the Company's share capital thereby resulting in applicability of Article 148 of the Companies Regulations and Article 68 (2) D of the insurance regulations. As required by Article 148 of the Companies Regulations, the shareholders have resolved to continue the business in an extraordinary general meeting (EGM) convened on 11 June 2012.

Previously, the Board of Directors have considered the financial position of the Company and, at its meeting held on 27 October 2009, resolved to continue in business and proposed a rights issue of SR 150 Million. On 19 October 2010, the Saudi Arabian Monetary Agency (SAMA) approved increase in share capital of the Company from SR 100 million to SR 200 million with a condition of founding shareholders' confirmation to participation in the rights issue. As at 30 June 2012, 44 percent of the shareholders have confirmed in writing their intent to support the rights issue.

On obtaining the aforementioned conditional approval from SAMA, the company subsequently applied to Capital Market Authority (CMA) for approval of rights issue which has not yet been granted. An extraordinary meeting of shareholders will be convened with the objective of approving the proposed rights issue upon obtaining approval from CMA.



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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

30 June 2012

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**2. GOING CONCERN (continued)**

The continuation of the operations of the Company is dependent on the future profitability of business and the pending increase in the share capital through rights issue to meet its obligations as they fall due and meet solvency requirements set out in Article 68 (2) D of the insurance regulations.

Whilst approving these interim condensed financial statements, the Board of Directors on 21 July 2012 have further resolved the going concern assumption as appropriate.

**3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These interim condensed financial statements are unaudited and being presented in condensed form in accordance with the requirements of the approved accounting standard "International Accounting Standard – Interim Financial Reporting (IAS-34)." These interim condensed financial statements are prepared under the historical cost convention.

As required by Saudi Arabian insurance regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses and assets from joint operations is determined by the management and Board of Directors.

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those used for the preparation of annual financial statements. The adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) by the Company as mentioned hereunder, did not have any impact on these interim condensed financial statements.

These interim condensed financial statements for the three-month and six month periods ended 30 June 2012 ('the period') do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS. These interim condensed financial statements should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2011.

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities are expected to be recovered and settled respectively within 12 months after the interim reporting date. The Company's interim results may not be indicative of its annual results.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

30 June 2012

**3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

These interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousands, except where indicated otherwise.

***New IFRS, 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). 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.

<b><u>Standard/ Interpretation</u></b>	<b><u>Description</u></b>
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets
IFRS 7	Financial Instruments: Disclosures (Transfers of Financial Assets)
IAS 34	Interim Financial Reporting

***New IFRS, IFRIC and amendments thereof, 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 become effective.

<b><u>Standard/ Interpretation</u></b>	<b><u>Description</u></b>	<b><i>Effective from periods beginning on or after following date</i></b>
IFRS 7	Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2015
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

30 June 2012

**4. ACCOUNTING ESTIMATES**

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainly were consistent with those applied to the annual financial statements as at and for the year ended 31 December 2011.

**5. FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2011.

**6. CASH AND CASH EQUIVALENTS**

	<i>30 June 2012 (Unaudited) SR'000</i>	<i>31 December, 2011 (Audited) SR'000</i>
<i>Insurance Operations</i>		
Cash in hand	44	6
Cash at banks – current accounts	39,538	58,378
	<u>39,582</u>	<u>58,384</u>
<i>Shareholders' Operations</i>		
Cash at banks – current accounts	13,497	13,492
	<u>13,497</u>	<u>13,492</u>

**7. INVESTMENTS**

*Shareholders' Operations*

This represents investment in Najm for Insurance Services Company and is classified as available for sale.

**8. OUTSTANDING CLAIMS – NET**

	<i>30 June, 2012 (Unaudited) SR'000</i>	<i>31 December, 2011 (Audited) SR'000</i>
<i>Insurance operations</i>		
Gross outstanding claims	10,198	8,961
Add: Incurred but not reported (IBNR) reserve	1,160	11,595
Outstanding claims	11,358	20,556
Reinsurance share of outstanding claims	(1,815)	(1,861)
<b>Outstanding claims – net</b>	<u>9,543</u>	<u>18,695</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

30 June 2012

**9. UNEARNED PREMIUM - NET**

	<i>30 June, 2012 (Unaudited) SR'000</i>	<i>31 December, 2011 (Audited) SR'000</i>
<i>Insurance operations</i>		
Unearned premium	71,715	81,201
Reinsurance share of unearned premium	<u>(11,330)</u>	<u>(11,422)</u>
<b>Unearned premium – net</b>	<b><u>60,385</u></b>	<b><u>69,779</u></b>

**10. 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*

<i>Related party</i>	<i>Nature of transaction</i>	<i>Transactions</i>		<i>Closing balance Receivable / (Payable)</i>	
		<i>30 June 2012 (Unaudited) SR'000</i>	<i>30 June 2011 (Unaudited) SR'000</i>	<i>30 June 2012 (Unaudited) SR'000</i>	<i>30 June 2011 (Unaudited) SR'000</i>
Shareholders' Operations	Expenses incurred on behalf of insurance operations	<u>1,323</u>	<u>--</u>	<u>10,790</u>	<u>914</u>
Shareholders' Operations	(Deficit) / Surplus from insurance operations	<u>(5,383)</u>	<u>--</u>	<u>5,383</u>	<u>115</u>
Affiliates	Premiums written	<u>301</u>	<u>804</u>	<u>206</u>	<u>152</u>
Affiliates	Claims	<u>155</u>	<u>--</u>	<u>--</u>	<u>--</u>
Key management personnel	Board and audit committee fee	<u>91</u>	<u>119</u>	<u>--</u>	<u>--</u>
	Short term benefits	<u>1,992</u>	<u>1,580</u>	<u>--</u>	<u>38</u>
	Long term benefits	<u>82</u>	<u>70</u>	<u>224</u>	<u>408</u>



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**11. ZAKAT AND INCOME TAX**

Zakat and income tax returns have been filed with the Department of Zakat and Income Tax ("DZIT") for the years ended up to December 31, 2011. Final certificate has been received from DZIT for the year ended December 31, 2008. However, DZIT has raised an additional assessment in respect of the returns filed for the years ended December 31, 2008, 2009 and 2010 amounting to SR 1.86 million which has not been booked in the 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 favorable outcome.

**12. CONTINGENCY**

The Company has provided a guarantee to the Council of Cooperative Health Insurance (CCHI) to settle the outstanding dues to service providers for medical insurance policies of a shareholder estimated at SR 2.4 million (31 December 2011: SR 2.4 million) in order to obtain approval from CCHI to resume medical business in Saudi Arabia. A counter guarantee has been received from the affiliate by the Company.

**13. SEGMENT INFORMATION**

Segment information is presented in respect of the company's business segments which are Motor, Medical, General accident and others based on the company's management and internal reporting structure. Other segments comprise of Fire, Marine and Engineering related insurance policies.

Operating segments do not include Shareholders' operations of the Company. There are no seasonal changes that affect insurance operations.

Segment assets do not include cash and cash equivalents, due from shareholders' operations, prepayments, advances and other receivables and furniture, fittings and equipment. Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and employees' termination benefits.

Segment results do not include general and administration expenses.

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

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**13. SEGMENT INFORMATION (continued)**

<u>30 June 2012</u>	<u>Motor</u> <u>SR '000</u>	<u>Medical</u> <u>SR '000</u>	<u>General</u> <u>accident</u> <u>SR '000</u>	<u>Others</u> <u>SR '000</u>	<u>Total</u> <u>(Unaudited)</u> <u>SR '000</u>
Premiums and reinsurance receivable – net	3,052	306	36	3,707	7,101
Reinsurance share of unearned premiums	53	770	4,572	5,935	11,330
Reinsurance share of outstanding claims	464	129	311	911	1,815
Deferred policy acquisition cost	11,762	96	346	144	12,348
Other assets	--	--	--	--	63,944
<b>Total insurance operations assets</b>					<b>96,538</b>
Gross outstanding claims	8,334	339	1,322	1,363	11,358
Unearned premium	55,018	1,912	8,514	6,271	71,715
Unearned commission	6	--	941	948	1,895
Other liabilities	--	--	--	--	11,570
<b>Total insurance operations liabilities</b>					<b>96,538</b>

<u>31 December 2011</u>	<u>Motor</u> <u>SR '000</u>	<u>Medical</u> <u>SR '000</u>	<u>General</u> <u>accident</u> <u>SR '000</u>	<u>Others</u> <u>SR '000</u>	<u>Total</u> <u>(Audited)</u> <u>SR '000</u>
Premiums and reinsurance receivable – net	7,058	129	742	974	8,903
Reinsurance share of unearned premiums	1	662	4,609	6,150	11,422
Reinsurance share of outstanding claims	--	39	478	1,344	1,861
Deferred policy acquisition cost	17,216	141	316	162	17,835
Other assets	--	--	--	--	75,783
<b>Total insurance operations assets</b>					<b>115,804</b>
Gross outstanding claims	16,855	291	1,453	1,957	20,556
Unearned premium	64,222	1,789	8,866	6,324	81,201
Unearned commission	2	--	865	997	1,864
Other liabilities	--	--	--	--	12,183
<b>Total insurance operations liabilities</b>					<b>115,804</b>

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**13. SEGMENT INFORMATION (continued)**

<u>Three month ended 30 June 2012</u>	<u>Motor</u> <u>SR '000</u>	<u>Medical</u> <u>SR '000</u>	<u>General</u> <u>accident</u> <u>SR '000</u>	<u>Others</u> <u>SR '000</u>	<u>Total</u> <u>(Unaudited)</u> <u>SR '000</u>
<b>REVENUE</b>					
Gross written premium	3,669	1,438	1,337	4,962	11,406
Premium ceded	(20)	(606)	(712)	(4,734)	(6,072)
Retained written premium	3,649	832	625	228	5,334
Net movement in unearned premium	30,503	(8)	472	43	31,010
Excess of loss premium	(970)	(200)	(42)	(62)	(1,274)
Net earned premium	33,182	624	1,054	210	35,070
Reinsurance commission earned	3	--	405	504	912
<b>Total insurance revenue</b>	<b>33,185</b>	<b>624</b>	<b>1,459</b>	<b>714</b>	<b>35,982</b>
<b>CLAIMS</b>					
Gross claims paid	30,857	500	382	379	32,118
Claims recovered from reinsurance	(20)	(250)	(187)	(375)	(832)
Net claims paid	30,837	250	195	4	31,286
Net movement in outstanding claims	(8,611)	152	(64)	229	(8,294)
Net claims incurred	22,226	402	131	233	22,992
Policy acquisition cost	8,418	68	159	148	8,793
	<b>30,644</b>	<b>470</b>	<b>290</b>	<b>381</b>	<b>31,785</b>
<b>Net underwriting result</b>	<b>2,541</b>	<b>154</b>	<b>1,169</b>	<b>333</b>	<b>4,197</b>
General and administrative expenses	--	--	--	--	(6,884)
<b>Deficit from insurance operations</b>					<b>(2,687)</b>
<u>Three month ended 30 June 2011</u>					
<b>REVENUE</b>					
Gross written premium	35,299	19	3,044	3,027	41,389
Premium ceded	(17)	(23)	(1,867)	(2,757)	(4,664)
Retained written premium	35,282	(4)	1,177	270	36,725
Net movement in unearned premium	(6,149)	185	365	(52)	(5,651)
Excess of loss premium	(441)	--	(28)	(93)	(562)
Net earned premium	28,692	181	1,514	125	30,512
Reinsurance commission earned	3	62	387	713	1,165
<b>Total insurance revenue</b>	<b>28,695</b>	<b>243</b>	<b>1,901</b>	<b>838</b>	<b>31,677</b>
<b>CLAIMS</b>					
Gross claims paid	16,651	255	26	998	17,930
Claims recovered from reinsurance	--	(124)	(10)	(672)	(806)
Net claims paid	16,651	131	16	326	17,124
Net movement in outstanding claims	459	--	(486)	(128)	(155)
Net claims incurred	17,110	131	(470)	198	16,969
Policy acquisition cost	8,024	37	197	81	8,339
	<b>25,134</b>	<b>168</b>	<b>(273)</b>	<b>279</b>	<b>25,308</b>
<b>Net underwriting result</b>	<b>3,561</b>	<b>75</b>	<b>2,174</b>	<b>559</b>	<b>6,369</b>
General and administrative expenses	--	--	--	--	(6,053)
<b>Surplus from insurance operations</b>					<b>316</b>

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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**13. SEGMENT INFORMATION (continued)**

<u>Six months ended 30 June 2012</u>	<u>Motor</u> <u>SR '000</u>	<u>Medical</u> <u>SR '000</u>	<u>General</u> <u>accident</u> <u>SR '000</u>	<u>Others</u> <u>SR '000</u>	<u>Total</u> <u>(Unaudited)</u> <u>SR '000</u>
<b>REVENUE</b>					
Gross written premium	61,999	2,053	7,436	7,688	79,176
Premium ceded	(110)	(847)	(5,431)	(7,020)	(13,408)
Retained written premium	61,889	1,206	2,005	668	65,768
Net movement in unearned premium	9,256	(14)	314	(162)	9,394
Excess of loss premium	(2,016)	(223)	(70)	(135)	(2,444)
Net earned premium	69,129	969	2,249	371	72,718
Reinsurance commission earned	2	--	638	1,093	1,733
<b>Total insurance revenue</b>	<b>69,131</b>	<b>969</b>	<b>2,887</b>	<b>1,464</b>	<b>74,451</b>
<b>CLAIMS</b>					
Gross claims paid	54,541	1,001	727	1,273	57,542
Claims recovered from reinsurance	(24)	(501)	(336)	(1,089)	(1,950)
Net claims paid	54,517	500	391	184	55,592
Net movement in outstanding claims	(8,984)	(42)	36	(162)	(9,152)
Net claims incurred	45,533	458	427	22	46,440
Policy acquisition cost	18,224	138	327	331	19,020
	<b>63,756</b>	<b>596</b>	<b>754</b>	<b>353</b>	<b>65,460</b>
<b>Net underwriting result</b>	<b>5,374</b>	<b>373</b>	<b>2,133</b>	<b>1,111</b>	<b>8,991</b>
General and administrative expenses	--	--	--	--	(14,374)
<b>Deficit from insurance operations</b>					<b>(5,383)</b>

Six months ended 30 June 2011

<b>REVENUE</b>					
Gross written premium	72,378	45	7,265	9,364	89,052
Premium ceded	(98)	(23)	(4,864)	(8,631)	(13,616)
Retained written premium	72,280	22	2,401	733	75,436
Net movement in unearned premium	(22,489)	749	620	(58)	(21,178)
Excess of loss premium	(882)	--	(40)	(187)	(1,109)
Net earned premium	48,909	771	2,981	488	53,149
Reinsurance commission earned	3	125	593	1,524	2,245
<b>Total insurance revenue</b>	<b>48,912</b>	<b>896</b>	<b>3,574</b>	<b>2,012</b>	<b>55,394</b>
<b>CLAIMS</b>					
Gross claims paid	25,089	429	29	1,267	26,814
Claims recovered from reinsurance	--	(211)	(12)	(917)	(1,140)
Net claims paid	25,089	218	17	350	25,674
Net movement in outstanding claims	1,788	23	(362)	(113)	1,336
Net claims incurred	26,877	241	(345)	237	27,010
Policy acquisition cost	13,988	77	316	196	14,577
	<b>40,865</b>	<b>318</b>	<b>(29)</b>	<b>433</b>	<b>41,587</b>
<b>Net underwriting result</b>	<b>8,047</b>	<b>578</b>	<b>3,603</b>	<b>1,579</b>	<b>13,807</b>
General and administrative expenses	--	--	--	--	(12,659)
<b>Surplus from insurance operations</b>					<b>1,148</b>

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

These interim condensed financial statements have been approved by the Board of Directors on 2 Ramadaan 1433 H, corresponding to 21 July 2012.