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UNITED COOPERATIVE ASSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS  
AND LIMITED REVIEW REPORT

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012

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UNITED COOPERATIVE ASSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS AND REVIEW REPORT  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012

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**REPORT ON LIMITED REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNITED COOPERATIVE ASSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)****Scope of Limited 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 September 2012, and the related interim condensed statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed statements of changes in shareholders' equity, insurance operations' cash flows and shareholders operations' cash flows for the nine-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 limited review in accordance with the Standard on review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A limited 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 limited 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.

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4 Thu'l Alhajja 1433H  
20 October 2012  
Jeddah, Kingdom of Saudi Arabia

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

**INTERIM STATEMENT OF FINANCIAL POSITION**

At 30 September 2012

	Note	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	30,859	210,908
Time deposits		90,304	-
Available for sale investments	4	846	28,475
Held to maturity investments	5	22,275	5,361
Premiums receivable, net	6	351,609	381,055
Reinsurance receivables, net		9,886	8,843
Reinsurers' share of unearned premiums		133,210	83,450
Reinsurers' share of outstanding claims		95,823	121,725
Deferred policy acquisition cost		9,324	9,462
Prepayments and other receivables		85,186	60,163
Furniture, fittings and office equipment		8,951	8,542
<b>Total insurance operations' assets</b>		<b>838,273</b>	<b>917,984</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	2,945	181,780
Time deposits		164,850	-
Available for sale investments	4	4,436	17,450
Held to maturity investments	5	45,130	19,467
Prepayments and other receivables		555	105
Amount due from a related party	14	230	230
Due from insurance operations		26,569	47,708
Goodwill		78,400	78,400
Statutory deposit	10	20,000	20,000
<b>Total shareholders' assets</b>		<b>343,115</b>	<b>365,140</b>
<b>TOTAL ASSETS</b>		<b>1,181,388</b>	<b>1,283,124</b>





The accompanying notes 1 to 15 form part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF FINANCIAL POSITION  
At 30 September 2012**

	Note	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
<b>INSURANCE LIABILITIES AND SURPLUS</b>			
<b>Insurance operations' liabilities</b>			
Reinsurers payables		85,832	106,097
Unearned commission income		19,337	15,081
Unearned premiums		430,435	402,856
Unexpired risk reserve		1,281	1,281
Outstanding claims		202,383	258,198
Payables to policy holders		16,176	9,887
Accrued and other payables		27,772	52,701
Due to shareholders' operations		26,569	47,708
Employees' terminal benefits		6,822	4,995
Total insurance operations' liabilities		<u>816,607</u>	<u>898,804</u>
<b>Insurance operations' surplus</b>			
Accumulated surplus from insurance operations		21,667	18,720
Available for sale investments reserve		(1)	460
Total insurance operations' liabilities and surplus		<u>838,273</u>	<u>917,984</u>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Accruals and other payables		526	5,540
Accrued zakat and income tax	7	16,449	17,088
Amount due to a related party in respect of goodwill	1, 14	-	24,962
Total shareholders' liabilities		<u>16,975</u>	<u>47,590</u>
<b>Shareholders' equity</b>			
Share capital	8	200,000	200,000
Statutory reserve	9	27,429	27,429
Retained earnings		98,686	89,716
Available for sale investments reserve		25	405
Total shareholders' equity		<u>326,140</u>	<u>317,550</u>
Total shareholders' liabilities and equity		<u>343,115</u>	<u>365,140</u>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<u><b>1,181,388</b></u>	<u><b>1,283,124</b></u>

The accompanying notes 1 to 15 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012**

	Note	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2012 (Unaudited)</i>	<i>2011 (Unaudited)</i>	<i>2012 (Unaudited)</i>	<i>2011 (Unaudited)</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>Revenues</b>					
Gross premiums written		162,971	212,661	830,807	822,458
Less: Reinsurance premiums ceded		(54,459)	(52,473)	(222,922)	(159,784)
Excess of loss premiums		(2,661)	(3,745)	(4,180)	(5,364)
Net written premiums		105,851	156,443	603,705	657,310
Changes in net unearned premiums		93,825	27,191	22,181	(144,020)
Net premiums earned		199,676	183,634	625,886	513,290
Reinsurance commission received		10,028	7,644	29,211	22,743
<b>Net revenues</b>		<b>209,704</b>	<b>191,278</b>	<b>655,097</b>	<b>536,033</b>
<b>Cost and expenses</b>					
Gross claims paid		169,870	151,973	634,962	463,758
Less: Reinsurers' share		(7,151)	(17,608)	(65,173)	(47,388)
Net claims paid		162,719	134,365	569,789	416,370
Changes in outstanding claims		12,606	18,152	(29,913)	(13,795)
Net claims incurred		175,325	152,517	539,876	402,575
Policy acquisition cost		5,918	5,582	16,007	16,106
<b>Net cost and expenses</b>		<b>181,243</b>	<b>158,099</b>	<b>555,883</b>	<b>418,681</b>
<b>Net result of insurance operations</b>		<b>28,461</b>	<b>33,179</b>	<b>99,214</b>	<b>117,352</b>
General and administrative expenses		(18,677)	(26,004)	(67,003)	(82,135)
Supervision and inspection fee		(794)	(1,046)	(4,076)	(4,027)
CCHI fee		(325)	(653)	(1,965)	(3,809)
Investment income		824	1,453	3,296	4,023
<b>Surplus from insurance operations</b>		<b>9,489</b>	<b>6,929</b>	<b>29,466</b>	<b>31,404</b>
Shareholders' share of insurance operations		(8,540)	(6,236)	(26,519)	(28,264)
Surplus for the period		949	693	2,947	3,140
Accumulated surplus at the beginning of the period		20,718	15,866	18,720	13,419
<b>Accumulated surplus at the end of the period</b>		<b>21,667</b>	<b>16,559</b>	<b>21,667</b>	<b>16,559</b>

The accompanying notes 1 to 15 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012**

	Note	<i>Three-month period ended</i> <b>30 September</b>		<i>Nine-month period ended</i> <b>30 September</b>	
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</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>
<b>Revenues</b>					
Shareholders' share of insurance operations surplus		8,540	6,236	26,519	28,264
Commission income		1,837	1,793	3,142	3,544
Investment income		-	-	240	19
Realised gain on investments		49	559	2,930	777
<b>Total revenues</b>		<b>10,426</b>	<b>8,588</b>	<b>32,831</b>	<b>32,604</b>
<b>EXPENSES</b>					
General and administrative expenses		127	109	615	597
Board remunerations		-	-	1,056	450
<b>Total expenses</b>		<b>127</b>	<b>109</b>	<b>1,671</b>	<b>1,047</b>
<b>NET INCOME FOR THE PERIOD</b>		<b>10,299</b>	<b>8,479</b>	<b>31,160</b>	<b>31,557</b>
Weighted average number of ordinary shares outstanding ('000)		<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
Earnings per share for the period basic and diluted (SR)	12	<b>0.52</b>	<b>0.42</b>	<b>1.56</b>	<b>1.58</b>





The accompanying notes 1 to 15 form part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012**

	<i>Three-month period ended</i> <i>30 September</i>		<i>Nine-month period ended</i> <i>30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Net income for the period	10,299	8,479	31,160	31,557
<b>Other comprehensive income</b>				
Change in fair value of available for sale investments	55	(947)	(380)	(986)
<b>Other expenses</b>				
Zakat and income tax (note 7)	(730)	(1,754)	(2,190)	(5,262)
Total comprehensive income for the period	<u>9,624</u>	<u>5,778</u>	<u>28,590</u>	<u>25,309</u>





The accompanying notes 1 to 15 form part of these interim condensed financial statements.



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

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

*For the nine-month period ended 30 September 2012*

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Change in value of available for sale investments SR'000	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Change in fair value of available for sale investments SR'000	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Change in value of available for sale investments SR'000
Balance as at 31 December 2011 – Audited	196,000	88,193	26,881	397	4,000	1,523	548	8	200,000	89,716	27,429	405
Change in fair value of available for sale investments	-	-	-	(372)	-	-	-	(8)	-	-	-	(380)
Net income for the period	-	30,537	-	-	-	623	-	-	-	31,160	-	-
Dividend (note 11)	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Zakat and income tax for the period (note 7)	-	(2,025)	-	-	-	(165)	-	-	-	(2,190)	-	-
<b>Balance as at 30 September 2012 – Unaudited</b>	<b>196,000</b>	<b>97,105</b>	<b>26,881</b>	<b>25</b>	<b>4,000</b>	<b>1,581</b>	<b>548</b>	<b>-</b>	<b>200,000</b>	<b>98,686</b>	<b>27,429</b>	<b>25</b>

*For the nine-month period ended 30 September 2011*

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Change in value of available for sale investments SR'000	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Change in value of available for sale investments SR'000	Share capital SR'000	Retained earnings SR'000	Statutory reserve SR'000	Change in value of available for sale investments SR'000
Balance as at 31 December 2010 – Audited	196,000	74,147	18,485	694	4,000	1,303	377	14	200,000	75,450	18,862	708
Change in fair value of available for sale investments	-	-	-	(966)	-	-	-	(20)	-	-	-	(986)
Net income for the period	-	30,926	-	-	-	631	-	-	-	31,557	-	-
Dividend	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Zakat and income tax for the period	-	(5,073)	-	-	-	(189)	-	-	-	(5,262)	-	-
<b>Balance as at 30 September 2011 – Unaudited</b>	<b>196,000</b>	<b>80,400</b>	<b>18,485</b>	<b>(272)</b>	<b>4,000</b>	<b>1,345</b>	<b>377</b>	<b>(6)</b>	<b>200,000</b>	<b>81,745</b>	<b>18,862</b>	<b>(278)</b>

The accompanying notes 1 to 15 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

	<i>Nine-month period ended 30 September</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
<b>Cash flows from operating activities:</b>		
Surplus for the period from insurance operations	2,947	3,140
Adjustment for:		
Depreciation	3,063	3,362
Employees' terminal benefits	1,827	1,597
Realised gain on held to maturity investments	(220)	-
Realised gain on available for sale investments	(1,352)	(27)
Provision for doubtful debts	2,145	14,775
	<u>8,410</u>	<u>22,847</u>
Changes in operating assets and liabilities:		
Premium receivables, net	26,083	(22,301)
Reinsurance' receivables	174	(223)
Reinsurers' share of unearned premium	(49,760)	24,907
Reinsurers' share of outstanding claims	25,902	(68,923)
Deferred policy acquisition cost	138	(1,890)
Prepayments and other receivables	(25,023)	(31,302)
Reinsurers payables	(20,265)	13,413
Unearned commission income	4,256	(4,138)
Unearned premiums	27,579	119,113
Outstanding claims	(55,815)	55,129
Payables to policy holders	6,289	(4,346)
Accrued and other payables	(24,929)	5,409
Due to shareholders' operations	(21,139)	(92,722)
Net cash flows (used in)/from operating activities	<u>(98,100)</u>	<u>14,973</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,471)	(7,158)
Purchase of available for sale investments	(68)	(26,879)
Purchase of held to maturity investments	(21,775)	(500)
Time deposits	(90,304)	-
Proceeds from sale of held to maturity investments	5,081	6,734
Proceeds from sale of available for sale investments	28,588	-
Net cash flows used in investing activities	<u>(81,949)</u>	<u>(27,803)</u>
<b>Decrease in cash and cash equivalents</b>	<b>(180,049)</b>	<b>(12,830)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>210,908</b>	<b>204,310</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>30,859</u></b>	<b><u>191,480</u></b>
<b><u>Non-cash transactions</u></b>		
Change in value of available for sale investments	(461)	(494)
Transfer of available for sale investments to a related party	-	19,029





The accompanying notes 1 to 15 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012**

	<b>Nine-month period ended 30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>SR'000</b>	<b>SR'000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	31,160	31,557
Adjustment for:		
Realised gain on held to maturity investments	(344)	-
Realised gain on available for sale investments	(2,587)	(777)
	<u>28,229</u>	<u>30,780</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(450)	39
Due from insurance operations	21,139	92,722
Amount due to a related party in respect of goodwill	(24,962)	-
Accruals and other payables	(5,014)	1,739
Net cash flows from operations	<u>18,942</u>	<u>125,280</u>
Zakat paid	<u>(2,829)</u>	<u>(3,309)</u>
Net cash flows from operating activities	<u>16,113</u>	<u>121,971</u>
<b>INVESTING ACTIVITIES</b>		
Time deposits	(164,850)	43,760
Purchase of available for sale investments	(1,593)	(6,951)
Purchase of held to maturity investments	(33,638)	(14,476)
Proceeds from sale of held to maturity investments	8,319	4,956
Proceeds from sale of available for sale investments	16,814	71,679
Net cash flows (used in) /from investing activities	<u>(174,948)</u>	<u>98,968</u>
<b>FINANCING ACTIVITIES</b>		
Dividend	<u>(20,000)</u>	<u>(20,000)</u>
Net cash flows used in financing activities	<u>(20,000)</u>	<u>(20,000)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(178,835)</b>	<b>200,939</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>181,780</b>	<b>20,570</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><b>2,945</b></u>	<u><b>221,509</b></u>
<b><u>Non-cash transactions</u></b>		
Change in value of available for sale investments	<u>(380)</u>	<u>(986)</u>





The accompanying notes 1 to 15 form part of these interim condensed financial statements.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012 - UNAUDITED**

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**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 06 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1<sup>st</sup> and 4<sup>th</sup> floor) Al Rawdah Street, Khalediya 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. During the period ended 30 June 2012, 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 period ended 30 September 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 the three-month and nine-month periods ended 30 September 2012 ("the period") should be read in conjunction with the Company's audited financial statements as at 31 December 2011. 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 INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012 – 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):

<i>Standard</i>	<i>Description</i>
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets
IAS 24	Related Party Disclosures (Definition of Related Party)
IAS 34	Interim Financial Reporting (Additional Disclosures)
IFRS 7	Financial Instruments: Disclosures (Transfers of Financial Assets)

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.

<i>Standard</i>	<i>Description</i>	<i>Effective date</i>
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 January 2013
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
IAS 32	Financial Instruments: Presentation (offsetting financial assets and financial liabilities)	1 January 2014

Adoption of the relevant standards and interpretations applicable to the Company would result in some additional disclosures and changes in certain classifications in the interim condensed financial statements. However, the Company does not expect any significant impact on its financial position or performance from such adoption.

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012 – UNAUDITED - (continued)

3. CASH AND CASH EQUIVALENTS

	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
<i>Insurance operations</i>		
Cash at banks	30,859	153,556
Short term deposits	-	57,352
	<u>30,859</u>	<u>210,908</u>
<i>Shareholders' operations</i>		
Cash in hand and at banks	2,945	136,135
Short term deposits	-	45,645
	<u>2,945</u>	<u>181,780</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 0.001 million as at 30 September 2012 (31 December 2011: unrealized gain of SR 0.46 million) was debited to the surplus from insurance operations as available for sale 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 period SR'000
<b>As at 30 September 2012 – Unaudited</b>				
Investments in equity shares	8,398	(7,091)	(461)	846
Investments in mutual funds	20,077	(20,077)	-	-
	<u>28,475</u>	<u>(27,168)</u>	<u>(461)</u>	<u>846</u>
<b>As at 31 December 2011 – Audited</b>				
	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
Investments in equity shares	14,903	(6,888)	383	8,398
Investments in mutual funds	3,463	16,537	77	20,077
Investments in bonds	8,787	(8,787)	-	-
	<u>27,153</u>	<u>862</u>	<u>460</u>	<u>28,475</u>

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4. AVAILABLE FOR SALE INVESTMENTS – (continued)

*Shareholders' operations*

	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Quoted securities	2,513	15,527
Unquoted securities	1,923	1,923
	<u>4,436</u>	<u>17,450</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 September 2012 – Unaudited				
Investment in equities managed by Audi Capital	15,527	(12,634)	(380)	2,513
	<u>15,527</u>	<u>(12,634)</u>	<u>(380)</u>	<u>2,513</u>
As at 31 December 2011 - 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 money market fund managed by Caam Saudi Fransi	51,699	(51,699)	-	-
Investment in Al Qandeel fund managed by Caam Saudi Fransi	19,911	(19,911)	-	-
Investment in equities managed by Audi Capital	-	15,122	405	15,527
	<u>71,610</u>	<u>(56,488)</u>	<u>405</u>	<u>15,527</u>

The unrealized loss of SR 0.38 million as at 30 September 2012 (31 December 2011: Loss SR 0.12 million) was charged to the interim condensed statement of changes in shareholders' equity as available for sale investments reserve. The available for sale reserve as of 30 September 2012 is SR 0.025 million (31 December 2011: SR 0.41 million).

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 September 2012 – Unaudited				
Investment in local company	1,923	-	-	1,923
	<u>1,923</u>	<u>-</u>	<u>-</u>	<u>1,923</u>
As at 31 December 2011 – 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
	<u>1,923</u>	<u>-</u>	<u>-</u>	<u>1,923</u>

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**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012 – UNAUDITED - (continued)**

**5. HELD TO MATURITY INVESTMENTS**

***Insurance operations***

The held to maturity investments represent security instruments with fixed interest rate with 4 - 10 year time horizon yielding an effective interest rate ranging from 2.37% - 4.625% (31 December 2011: 2.40% - 4.625%) on an annual basis. During the period, the Company purchased securities amounting to SR 21.78 million (31 December 2011: SR 0.50 million). The book value of securities, net of amortization, is SR 22.27 million (31 December 2011: SR 5.36 million).

***Shareholders' operations***

The held to maturity investments represent security instruments with fixed interest rate with 1 - 10 year time horizon yielding an effective interest rate ranging from 1.77 % to 6.125% (31 December 2011: 2.5% to 3.5%) on an annual basis. During the period, the Company purchased securities, amounting to SR 33.64 million (31 December 2011: SR 6.95 million). The book value of the securities, net of amortization is SR 45.13 (31 December 2011: SR 19.47 million).

**6. PREMIUMS RECEIVABLE**

	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Due from policyholders	164,988	178,408
Due from related parties	216,954	229,617
Doubtful debt provision	(30,333)	(26,970)
	<u>351,609</u>	<u>381,055</u>

Movement in provision for doubtful debts is as follows:

	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Balance at the beginning of the period/year	26,970	31,541
Provision provided during the period/year	3,363	-
Release of provision during the period/year	-	(4,571)
Balance at the end of the period/year	<u>30,333</u>	<u>26,970</u>

**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 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Balance at the beginning of the period/year	17,088	12,564
Charge for the period/year	2,190	7,833
Paid during the period/year	(2,829)	(3,309)
Balance at the end of the period/year	<u>16,449</u>	<u>17,088</u>

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, 2010 and 2011 and obtained restricted zakat certificates.



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8. SHARE CAPITAL

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

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 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
<i>Shareholders' Operations</i>		
Statutory deposit	20,000	20,000

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

11. DIVIDEND

The general assembly held a meeting on 23 Jamaad Al-Thani 1433H (corresponding to 14 May 2012) and approved the Board of Directors' proposal to distribute cash dividends of SR 1 per share to the registered shareholders as at the date of the Company's general assembly meeting.

12. EARNINGS PER SHARE

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

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**13. SEGMENTAL INFORMATION**

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

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

Segment assets do not include insurance operations' cash and cash equivalents, investments, premiums receivable, reinsurance receivables, prepaid expenses and other assets, and property and equipment, net.

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

**Operating segments**

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
<b>For the three-month period ended 30 September 2012 - Unaudited</b>				
<b>Insurance operations</b>				
Gross premiums written	32,485	69,223	61,263	162,971
Premiums ceded	-	(217)	(54,242)	(54,459)
Excess of loss premiums	(1,583)	(162)	(916)	(2,661)
Net premiums written	30,902	68,844	6,105	105,851
Change in net unearned premiums	32,252	57,058	4,515	93,825
Net premiums earned	63,154	125,902	10,620	199,676
Reinsurance commission received	4	196	9,828	10,028
Net revenue	63,158	126,098	20,448	209,704
<b>COSTS AND EXPENSES:</b>				
Gross claim paid	53,325	111,316	5,229	169,870
Less: Reinsurance share	(1,119)	(1,634)	(4,398)	(7,151)
Net claims paid	52,206	109,682	831	162,719
Change in net outstanding claims	(1,022)	11,733	1,895	12,606
Net claims incurred	51,184	121,415	2,726	175,325
Policy acquisition cost	1,609	2,927	1,382	5,918
Net cost and expenses	52,793	124,342	4,108	181,243
<b>Net underwriting results</b>	<b>10,365</b>	<b>1,756</b>	<b>16,340</b>	<b>28,461</b>
Supervision and inspection fee	(166)	(346)	(282)	(794)
CCHI fees	(325)	-	-	(325)
Unallocated general and administrative expenses				(18,677)
Unallocated investment income				824
<b>Surplus from insurance operations</b>				<b>9,489</b>

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FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2012 – UNAUDITED - (continued)

13. SEGMENTAL INFORMATION (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
<b>For the nine-month period ended 30 September 2012 - Unaudited</b>				
<b>Insurance operations</b>				
Gross premiums written	183,669	389,798	257,340	830,807
Premiums ceded	-	(4,500)	(218,422)	(222,922)
Excess of loss premiums	(1,893)	(488)	(1,799)	(4,180)
Net premiums written	181,776	384,810	37,119	603,705
Change in net unearned premiums	26,185	(3,034)	(970)	22,181
Net premiums earned	207,961	381,776	36,149	625,886
Reinsurance commission received	15	558	28,638	29,211
Net revenue	207,976	382,334	64,787	655,097
<b>COSTS AND EXPENSES:</b>				
Gross claim paid	196,785	369,523	68,654	634,962
Less: Reinsurance share	(1,121)	(2,048)	(62,004)	(65,173)
Net claims paid	195,664	367,475	6,650	569,789
Change in net outstanding claims	(13,117)	(14,929)	(1,867)	(29,913)
Net claims incurred	182,547	352,546	4,783	539,876
Policy acquisition cost	5,076	7,053	3,878	16,007
Net cost and expenses	187,623	359,599	8,661	555,883
<b>Net underwriting results</b>	<b>20,353</b>	<b>22,735</b>	<b>56,126</b>	<b>99,214</b>
Supervision and inspection fee	(918)	(1,949)	(1,209)	(4,076)
CCHI fees	(1,965)	-	-	(1,965)
Unallocated general and administrative expenses				(67,003)
Unallocated investment income				3,296
<b>Surplus from insurance operations</b>				<b>29,466</b>
<b>As at 30 September 2012 – Unaudited</b>				
Reinsurance share of unearned premiums	-	2,140	131,070	133,210
Reinsurance share of outstanding claims	967	624	94,232	95,823
Deferred acquisition cost	2,126	4,599	2,599	9,324
Unallocated assets	-	-	-	599,916
				<b>838,273</b>
Unearned commission income	5	261	19,071	19,337
Unearned Premiums	85,547	200,746	144,142	430,435
Outstanding claims	32,173	64,747	105,463	202,383
Unallocated liabilities				186,118
				<b>838,273</b>

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13. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the three-month period ended 30 September 2011 - Unaudited				
Insurance operations				
Gross premiums written	65,352	88,617	58,692	212,661
Premiums ceded	-	(559)	(51,914)	(52,473)
Excess of loss premiums	(3,122)	(157)	(466)	(3,745)
Net premiums written	62,230	87,901	6,312	156,443
Change in net unearned premiums	8,948	13,941	4,302	27,191
Net premiums earned	71,178	101,842	10,614	183,634
Reinsurance commission received	21	118	7,505	7,644
Net revenue	71,199	101,960	18,119	191,278
COSTS AND EXPENSES:				
Gross claim paid	60,489	86,696	4,788	151,973
Less: Reinsurance share	(58)	(13,702)	(3,848)	(17,608)
Net claims paid	60,431	72,994	940	134,365
Change in net outstanding claims	429	8,282	9,441	18,152
Net claims incurred	60,860	81,276	10,381	152,517
Policy acquisition cost	2,305	2,124	1,153	5,582
Net cost and expenses	63,165	83,400	11,534	158,099
Net underwriting results	8,034	18,560	6,585	33,179
Supervision and inspection fee	(327)	(451)	(268)	(1,046)
CCHI fees	(653)			(653)
Unallocated general and administrative expenses				(26,004)
Unallocated investment income				1,453
Surplus from insurance operations				6,929

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13. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the nine-month period ended 30 September 2011 - Unaudited				
<b>Insurance operations</b>				
Gross premiums written	237,358	393,519	191,581	822,458
Premiums ceded	(641)	(559)	(158,584)	(159,784)
Excess of loss premiums	(3,494)	(473)	(1,397)	(5,364)
Net premiums written	233,223	392,487	31,600	657,310
Change in net unearned premiums	(9,508)	(132,807)	(1,705)	(144,020)
Net premiums earned	223,715	259,680	29,895	513,290
Reinsurance commission received	71	196	22,476	22,743
Net revenue	223,786	259,876	52,371	536,033
<b>COSTS AND EXPENSES:</b>				
Gross claim paid	197,928	229,499	36,331	463,758
Less: Reinsurance share	(473)	(16,909)	(30,006)	(47,388)
Net claims paid	197,455	212,590	6,325	416,370
Change in net outstanding claims	(16,161)	(7,565)	9,931	(13,795)
Net claims incurred	181,294	205,025	16,256	402,575
Policy acquisition cost	7,172	5,527	3,407	16,106
Net cost and expenses	188,466	210,552	19,663	418,681
<b>Net underwriting results</b>	<b>35,320</b>	<b>49,324</b>	<b>32,708</b>	<b>117,352</b>
Supervision and inspection fee	(1,187)	(1,974)	(866)	(4,027)
CCHI fees	(3,809)	-	-	(3,809)
Unallocated general and administrative expenses				(82,135)
Unallocated investment income				4,023
<b>Surplus from insurance operations</b>				<b>31,404</b>
As at 31 December 2011 - Audited				
Reinsurance share of unearned premiums	2,683	259	80,508	83,450
Reinsurance share of outstanding claims	122	3,255	118,347	121,724
Deferred acquisition cost	3,782	3,756	1,924	9,462
Unallocated assets				703,348
				917,984
Unearned commission income	755	124	14,202	15,081
Unearned Premiums	114,948	195,830	92,078	402,856
Outstanding claims	45,133	82,307	130,758	258,198
Unallocated liabilities				241,849
				917,984

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**14. 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 period ended			
		30 September 2012 (Unaudited) SR'000	30 September 2011 (Unaudited) SR'000	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Insurance Operations					
Shareholders:					
Saudi Bin Laden – Group	Premium	198,296	277,704		
	Payments and claims	(220,274)	(295,994)	193,826	215,804
Rashed Al Rashed – Group	Premium	21,881	20,599		
	Payments and claims	(17,196)	(20,768)	14,277	9,591
Saudi Import Company	Premium	11,883	10,209		
	Payments and claims	(8,904)	(7,174)	7,168	4,189
Al Faisaliah Group	Premium	6,464	5,477		
	Payments and claims	(5,026)	(3,968)	1,471	33
Board member:					
Claim and risk services (CARS)	Claim handling fee	4,997	9,514		
	Payment made	(224)	(13,196)	(3,857)	(4,082)
Claim and risk services (CARS)	Premium	647	598		
	Payments and claims	(656)	(598)	-	8
Law Office of Hassan Mehassni	Premium	318	297		
	Payments and claims	(191)	(219)	212	85
Key management personnel	Remuneration and related expenses	3,321	2,825	-	-
Shareholders' Operations					
UCA Bahrain B.S.C (c)	Goodwill payable	(24,962)	-	-	24,962
Najm for insurance services	Expenses	-	-	230	230
Board members	Board of directors remunerations	1,056	450	-	-

**15. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements have been approved by the board of directors on 15 October 2012 corresponding to 29 Thu'l Que'da 1433H.