
**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 THREE AND TWELVE MONTH PERIODS ENDED
31 DECEMBER 2012**

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 three and twelve month periods ended 31 December 2012

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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 31 December 2012, the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the three month and twelve month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the twelve 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 generally accepted auditing standards, 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 A MATTER

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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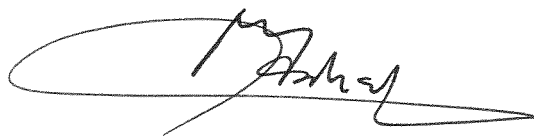
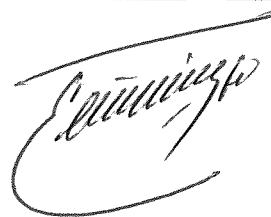
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

(Amounts in SR)

		<i>31 December 2012 (Unaudited)</i>	<i>31 December 2011 (Audited)</i>
	<i>Notes</i>		
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	282,656,404	422,889,063
Time deposits	5	138,003,620	136,547,434
Premiums and reinsurance balances receivable	6	1,295,634,353	877,175,280
Due from related parties	10a	2,881,547	40,303,669
Reinsurers' share of outstanding claims		597,359,495	538,036,714
Investments	7a	110,373,947	146,944,179
Prepayments and other assets		19,866,774	18,318,919
Reinsurers' share of unearned premiums		634,044,489	453,129,453
Deferred policy acquisition costs		35,018,105	30,087,953
Property and equipment, net		32,224,503	37,153,446
TOTAL INSURANCE OPERATIONS' ASSETS		3,148,063,237	2,700,586,110
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	286,624,155	256,817,745
Time deposits	5	65,854,648	65,034,394
Due from insurance operations		76,369,767	101,913,673
Investment in an associate	8	14,000,000	14,000,000
Investments	7b	196,858,681	191,233,208
Prepayments and other assets		2,473,583	2,452,987
Land		30,000,000	30,000,000
Statutory deposit	9	80,000,000	80,000,000
Goodwill		480,000,000	480,000,000
TOTAL SHAREHOLDERS' ASSETS		1,232,180,834	1,221,452,007
TOTAL ASSETS		4,380,244,071	3,922,038,117

The accompanying notes 1 to 15 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 31 December 2012

(Amounts in SR)


	Notes	31 December 2012 (Unaudited)	31 December 2011 (Audited)
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims		977,706,485	753,689,507
Accounts and commission payable		5,766,348	53,674,671
Reinsurance balances payable		162,134,362	272,591,787
Due to shareholders' operations		76,369,767	101,913,673
Accrued expenses and other liabilities		63,818,326	76,792,297
Surplus distribution payable		85,595,806	64,736,873
Unearned reinsurance commission		49,901,488	45,201,930
Gross unearned premiums		1,718,652,217	1,317,710,684
Other reserves		7,000,000	14,000,000
TOTAL INSURANCE OPERATIONS' LIABILITIES		3,146,944,799	2,700,311,422
INSURANCE OPERATIONS' SURPLUS			
Cumulative change in fair values of available for sale investments	7a	1,118,438	274,688
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		3,148,063,237	2,700,586,110
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		225,000	209,500
Provision for zakat and income tax		45,800,704	47,737,387
TOTAL SHAREHOLDERS' LIABILITIES		46,025,704	47,946,887
SHAREHOLDERS' EQUITY			
Share capital		800,000,000	800,000,000
Statutory reserve		139,374,369	105,334,781
Retained earnings		237,497,478	261,339,125
Cumulative change in fair values of available for sale investments	7b	9,283,283	6,831,214
TOTAL SHAREHOLDERS' EQUITY		1,186,155,130	1,173,505,120
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,232,180,834	1,221,452,007
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS, AND SHAREHOLDERS' EQUITY		4,380,244,071	3,922,038,117

The accompanying notes 1 to 15 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 twelve month period ended</i>	
	<i>31 December 2012</i>	<i>31 December 2011</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Gross premiums written	861,415,406	486,838,684	3,318,027,285	2,811,056,150
Less: Reinsurance premiums ceded	(291,125,419)	(281,197,081)	(844,525,432)	(839,171,809)
Excess of loss premiums	(13,361,566)	(8,087,284)	(71,413,939)	(55,539,958)
NET PREMIUMS WRITTEN	556,928,421	197,554,319	2,402,087,914	1,916,344,383
Change in unearned premiums, net	129,337,925	352,110,875	(220,026,497)	(43,514,767)
Change in other reserves	8,500,000	-	7,000,000	(1,500,000)
NET PREMIUMS EARNED	694,766,346	549,665,194	2,189,061,417	1,871,329,616
Gross claims paid and other expenses	(612,197,259)	(480,449,171)	(2,061,682,457)	(1,838,486,816)
Reinsurers' share of gross claims paid	123,511,640	93,909,889	406,842,135	381,670,903
Change in outstanding claims, net	(56,598,087)	3,020,865	(164,694,197)	83,390,078
NET CLAIMS INCURRED	(545,283,706)	(383,518,417)	(1,819,534,519)	(1,373,425,835)
Policy acquisition costs	(19,903,482)	(20,443,763)	(95,450,517)	(103,679,381)
Reinsurance commission income	43,647,886	21,245,792	106,915,135	97,895,955
NET UNDERWRITING RESULT	173,227,044	166,948,806	380,991,516	492,120,355
General and administrative expenses	(54,467,448)	(46,901,125)	(222,640,982)	(283,212,033)
Special commission income	1,461,210	1,312,824	5,736,910	5,708,447
Other income	22,795,968	8,680,325	44,501,887	36,797,364
INSURANCE OPERATIONS' SURPLUS	143,016,774	130,040,830	208,589,331	251,414,133
Shareholders' appropriation from insurance operations' surplus	2 (128,715,097)	(117,036,747)	(187,730,398)	(226,272,720)
ACCUMULATED SURPLUS AT THE END OF THE PERIOD	14,301,677	13,004,083	20,858,933	25,141,413

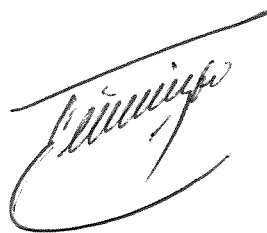
The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

(Amounts in SR)

		<i><u>For the three month period ended</u></i>	<i><u>For the twelve month period ended</u></i>	
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
		<i>2012</i>	<i>2011</i>	<i>2012</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Note</i>			<i>(Audited)</i>
INCOME				
Shareholders' appropriation from insurance operations' surplus		128,715,097	117,036,747	226,272,720
Special commission income		3,683,314	3,558,184	14,048,320
Realised gains on sale of available for sale investments		-	533,407	744,747
Dividend income on available for sale investments		113,802	113,802	1,825,781
		132,512,213	121,242,140	242,891,568
EXPENSES				
General and administrative		(575,583)	(636,912)	(2,775,578)
NET INCOME FOR THE PERIOD		131,936,630	120,605,228	240,115,990
BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD	12	1.65	1.51	3.00

The accompanying notes 1 to 15 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' COMPREHENSIVE OPERATIONS
(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the twelve month period ended</i>	
	<i>31 December 2012 (Unaudited)</i>	<i>31 December 2011 (Unaudited)</i>	<i>31 December 2012 (Unaudited)</i>	<i>31 December 2011 (Audited)</i>
NET INCOME FOR THE PERIOD	131,936,630	120,605,228	201,325,730	240,115,990
OTHER COMPREHENSIVE (LOSS) :				
Zakat and income tax	(16,571,356)	(10,947,195)	(31,127,789)	(33,305,824)
Change in fair values of available for sale investments	445,807	(439,030)	2,452,069	(1,918,216)
Other comprehensive loss for the period	(16,125,549)	(11,386,225)	(28,675,720)	(35,224,040)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	115,811,081	109,219,003	172,650,010	204,891,950




The accompanying notes 1 to 15 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 CHANGES IN SHAREHOLDERS' EQUITY

For the twelve month period ended 31 December 2012

(Amounts in SR)

	<i>Notes</i>	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Cumulative change in fair values of available for sale investments</i>	<i>Total</i>
Balance at 1 January 2012		<u>800,000,000</u>	<u>105,334,781</u>	<u>261,339,125</u>	<u>6,831,214</u>	<u>1,173,505,120</u>
Net income for the period		-	-	201,325,730	-	201,325,730
Other comprehensive income / (loss) for the period		-	-	(31,127,789)	2,452,069	(28,675,720)
Total comprehensive income for the period		-	-	170,197,941	2,452,069	172,650,010
Transfer to statutory reserve	14	-	34,039,588	(34,039,588)	-	-
Dividends paid	13	-	-	(160,000,000)	-	(160,000,000)
Balance at 31 December 2012 (Unaudited)		<u>800,000,000</u>	<u>139,374,369</u>	<u>237,497,478</u>	<u>9,283,283</u>	<u>1,186,155,130</u>
Balance at 1 January 2011		800,000,000	63,972,748	195,890,992	8,749,430	1,068,613,170
Net income for the period		-	-	240,115,990	-	240,115,990
Other comprehensive loss for the period		-	-	(33,305,824)	(1,918,216)	(35,224,040)
Total comprehensive income for the period		-	-	206,810,166	(1,918,216)	204,891,950
Transfer to statutory reserve	14	-	41,362,033	(41,362,033)	-	-
Dividends paid	13	-	-	(100,000,000)	-	(100,000,000)
Balance at 31 December 2011 (Audited)		800,000,000	105,334,781	261,339,125	6,831,214	1,173,505,120

The accompanying notes 1 to 15 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 twelve month period ended 31 December 2012

(Amounts in SR)

	Note	31 December 2012 (Unaudited)	31 December 2011 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		20,858,933	25,141,413
<i>Adjustments to reconcile insurance operation' surplus after shareholders' appropriation to net cash used in operating activities:</i>			
Depreciation		12,155,885	9,837,478
Provision for doubtful debts		-	40,500,000
Gain on sale of available for sale investment		(586,018)	-
Special commission income		(5,736,910)	(1,312,824)
Gain on sale of property and equipment, net		(142,554)	(130,755)
Reinsurers' share of unearned premiums		(180,915,036)	(15,400,235)
Deferred policy acquisition costs		(4,930,152)	9,133,472
Gross unearned premiums		400,941,533	58,915,002
Unearned reinsurance commission		4,699,558	(11,555,383)
<i>Cash from operations</i>		246,345,239	115,128,168
<i>Changes in operating assets and liabilities:</i>			
Premiums and reinsurance balances receivable		(418,459,073)	51,765,389
Reinsurers' share of outstanding claims		(59,322,781)	(220,604,516)
Prepayments and other assets		(1,547,855)	(3,974,663)
Due from related parties		37,422,122	187,895,869
Due to shareholders' operations, net		(25,543,906)	(153,131,793)
Accounts and commissions payable		(47,908,323)	(63,842,672)
Reinsurance balances payable		(110,457,425)	153,355,949
Accrued expenses and other liabilities		(12,973,971)	(1,208,930)
Gross outstanding claims		224,016,978	137,214,439
Other reserves		(7,000,000)	1,500,000
Net cash (used in) / from operating activities		(175,428,995)	204,097,240
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of available for sale investments		38,000,000	-
Purchase of available for sale investments		-	(109,179,803)
Purchase of property and equipment		(7,237,061)	(20,693,044)
Proceeds from sale of property and equipment		152,673	1,328,562
Time deposits, net		(1,456,186)	(87,309,617)
Special commission income		5,736,910	1,312,824
Net cash from / (used in) investing activities		35,196,336	(214,541,078)
DECREASE IN CASH AND CASH EQUIVALENTS		(140,232,659)	(10,443,838)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
		422,889,063	433,332,901
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	282,656,404	422,889,063
Non-cash transaction:			
Change in fair values of available for sale investments		843,750	880,426

The accompanying notes 1 to 15 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 twelve month period ended 31 December 2012

(Amounts in SR)

	Notes	31 December 2012 (Unaudited)	31 December 2011 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		201,325,730	240,115,990
<i>Adjustments for:</i>			
Special commission income		(14,494,480)	(14,048,320)
Dividend income on available for sale investments		(1,826,641)	(1,825,781)
Realised gains on sale of available for sale investments		(204,316)	(744,747)
Cash flow from operation		184,800,293	223,497,142
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other assets		(20,596)	41,547
Due from insurance operations, net		25,543,906	139,131,793
Accrued expenses and other liabilities		15,500	(758,000)
Due to a shareholder, net		-	(253,749,847)
Zakat and income tax paid		(33,064,472)	(22,875,647)
Net cash from operating activities		177,274,631	85,286,988
CASH FLOWS FROM INVESTING ACTIVITIES			
Time deposits, net		(820,254)	(1,150,112)
Purchase of available for sale investments		(28,500,000)	(60,000,000)
Proceeds from sale of available for sale investments		25,530,912	16,048,480
Special commission income		14,494,480	14,048,320
Dividend income on available for sale investments		1,826,641	1,825,781
Net cash from / (used in) investing activities		12,531,779	(29,227,531)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	13	(160,000,000)	(100,000,000)
Net cash used in financing activities		(160,000,000)	(100,000,000)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		29,806,410	(43,940,543)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		256,817,745	300,758,288
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	286,624,155	256,817,745
<i>Non-cash transactions:</i>			
Change in fair values of available for sale investments		2,452,069	(1,918,216)
Investment transferred from insurance operation		-	14,000,000

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

31 December 2012

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 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 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 three month period and year ended 31 December 2012 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 2011.

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 year ended 31 December 2012 amounted to SR 208,589,331 (2011: SR. 251,414,133). Accordingly, 90% of insurance operation surplus amounting to SR 187,730,398 (2011: SR. 226,272,720) has been transferred to the shareholders' operations for the year, leaving a surplus payable to policyholders of SR 20,858,933 as at 31 December 2012 (2011: SR 25,141,413).

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.

3. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS

Significant accounting policies

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 2011. In addition, accounting policies applicable to significant transactions and account balances arising during the year are set out below:

New standards, amendments to standards and interpretations

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2011 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the interim condensed financial statements of the Company:

- Improvements to IFRSs 2011 – IFRS 7 Financial Instruments: Disclosures

The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the International Accounting Standards Board amended and removed certain existing disclosure requirements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS (Continued)

- *Improvements to IFRSs 2011 – IAS 1 Presentation of Financial Statements*

IAS 1 is amended to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented in the financial statements, but is permitted to be presented either in the statement of changes in equity or in the notes.

- *Improvements to IFRSs 2011 – IAS 34 Interim Financial Reporting*

These amendments emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair values. The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.

- *IFRS 9 (Financial instruments), IFRS 12 (Disclosure of interest in other entities) and IFRS 13 (Fair value measurement)*

IFRS 9 is effective to annual reporting periods beginning on or after 1 January 2015 with early adoption is permitted. IFRS 12 and 13 are applicable to annual reporting periods beginning on or after 1 January 2013, early adoption is also permitted.

These and other amendments resulting from improvements to the IFRSs did not have any material impact on the accounting policies, financial position and performance of the Company.

4. CASH AND CASH EQUIVALENTS

	31 December 2012 (Unaudited)		31 December 2011 (Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash on hand and at banks	260,156,404	13,229,654	249,859,507	17,471,536
Short term time deposits	22,500,000	273,394,501	173,029,556	239,346,209
	<u>282,656,404</u>	<u>286,624,155</u>	<u>422,889,063</u>	<u>256,817,745</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 and international 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 3.81% per annum (31 December 2011: 3.49%).

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

5. 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 and international 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 1.3% per annum (31 December 2011: 1.8%).

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

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(UNAUDITED) (continued)

31 December 2012

6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE

Premiums and reinsurance balances receivable are comprised of the following:

	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
Premiums receivable	1,251,801,501	845,321,819
Reinsurance balances receivable	185,334,384	183,354,993
Total premiums and reinsurance balances receivable	1,437,135,885	1,028,676,812
Less: Provision for doubtful debts	(141,501,532)	(151,501,532)
	<u>1,295,634,353</u>	<u>877,175,280</u>

7. INVESTMENTS

Investments are classified as set out below:

(a) Insurance operations – Available for sale investments

	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
Mutual funds	71,765,822	109,179,804
Bonds	38,608,125	37,764,375
Total available for sale investments	<u>110,373,947</u>	<u>146,944,179</u>

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

	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
At the beginning of the period / year	146,944,179	36,883,950
Purchased during the period / year	-	109,179,803
Sold during the period / year	(37,413,982)	-
Net change in fair values	<u>109,530,197</u> 843,750	<u>146,063,753</u> 880,426
At the end of the period / year	<u>110,373,947</u>	<u>146,944,179</u>

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 1,118,438 (31 December 2011: SR 274,688) is presented within insurance operations' surplus' in the interim statement of financial position.

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(UNAUDITED) (continued)

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7. INVESTMENTS (Continued)

(b) Shareholders' operations – Available for sale investments

	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
Mutual funds	77,564,731	74,860,497
Bonds	35,473,575	61,421,811
Sukuks	65,070,375	36,200,900
Equities	18,750,000	18,750,000
Total available for sale investments	196,858,681	191,233,208

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

	31 December 2012 (Unaudited) SR	31 December 2011 (Audited) SR
At the beginning of the period/ year	191,233,208	148,455,159
Purchased during the period/year	28,500,000	60,000,000
Sold during the period/year	(25,326,596)	(15,303,735)
Net change in fair values	194,406,612 2,452,069	193,151,424 (1,918,216)
At the end of the period/year	196,858,681	191,233,208

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 9,283,283 (31 December 2011: SR 6,831,214) is presented within shareholders' equity in the interim statement of financial position.

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31 December 2012

8. INVESTMENT IN AN ASSOCIATE

Investment in an associate comprises of an equity investment amounting to SR 14,000,000 (a 25% equity interest) (2011: SR 14,000,000), in an unquoted company (the "associate"), registered in the Kingdom of Saudi Arabia.

9. 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").

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Nature of transactions	Amounts of transactions for the twelve month period ended		Balance as at	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	(Unaudited) SR	(Audited) SR	(Unaudited) SR	(Audited) SR
- Due from a shareholder, net – MEDGULF (B.S.C.) (Founding shareholders)	11,447,480	(183,455,761)	20,966,214	9,518,734
- Due to a shareholder, net – MEDGULF (B.S.C.) (Founding shareholders)	-	253,749,847	-	-
- Expenses paid on behalf of other affiliated companies, net	(48,869,602)	4,440,108	(18,084,667)	30,784,935
TOTAL			2,881,547	40,303,669
- Current accounts and time deposits – (The Saudi Investment Bank, Founding shareholders)	1,962,270	(106,723,107)	86,656,812	84,694,542
- Commission income on time deposits – (The Saudi Investment Bank, Founding shareholders)	803,676	681,844	182,580	141,050
- Gross premiums written	45,807,088	26,253,153	6,786,050	7,088,681
- Claims incurred	29,478,773	25,518,691	899,280	(89,429)
- Premiums ceded	38,257,162	12,685,889	50,741,897	(12,484,735)
- Brokerage commission	10,918,420	2,764,176	1,553,313	(12,471,733)

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31 December 2012

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Key management personnel's remuneration

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

	2012 (Unaudited) (SR)	2011 (Audited) (SR)
Short term benefits	17,346,486	18,469,235
End of service benefits	1,117,022	429,114
	18,463,508	18,898,349

11. 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.

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 year ended
31 December 2012 (Unaudited)

	Medical SR	Motor SR	Others SR	Total SR
Insurance operations				
Gross premiums written	2,484,327,724	225,521,466	608,178,095	3,318,027,285
Net premiums written	2,091,096,615	215,894,131	95,097,168	2,402,087,914
Net premiums earned	1,907,209,451	192,609,482	89,242,484	2,189,061,417
Net claims incurred	(1,674,722,661)	(135,948,366)	(8,863,492)	(1,819,534,519)
Policy acquisition costs	(54,723,335)	(18,437,225)	(22,289,957)	(95,450,517)
Reinsurance commission income	52,451,713	2,028,001	52,435,421	106,915,135
Net underwriting result	230,215,168	40,251,892	110,524,456	380,991,516
General and administrative expenses				(222,640,982)
Special commission income and other income				50,238,797
Insurance operations' surplus				208,589,331

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(UNAUDITED) (continued)

31 December 2012

11. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

For the year ended

31 December 2011 (Audited)

	Medical SR	Motor SR	Others SR	Total SR
Insurance operations				
Gross premiums written	2,017,359,065	186,642,252	607,054,833	2,811,056,150
Net premiums written	1,664,408,850	179,352,341	72,583,192	1,916,344,383
Net premiums earned	1,570,216,406	215,760,700	85,352,510	1,871,329,616
Net claims incurred	(1,200,067,345)	(160,735,389)	(12,623,101)	(1,373,425,835)
Policy acquisition costs	(59,304,708)	(22,818,852)	(21,555,821)	(103,679,381)
Reinsurance commission income	26,493,783	1,008,819	70,393,353	97,895,955
Net underwriting result	337,338,136	33,215,278	121,566,940	492,120,355
General and administrative expenses				(283,212,033)
Special commission income and other income				42,505,811
Insurance operations' surplus				251,414,133

For the three month period ended
December 2012 (Unaudited)

	Medical SR	Motor SR	Others SR	Total SR
Insurance operations				
Gross premiums written	534,039,395	45,255,318	282,120,693	861,415,406
Net premiums written	487,058,437	43,813,773	26,056,211	556,928,421
Net premiums earned	613,115,123	51,018,633	30,632,590	694,766,346
Net claims incurred	(526,146,964)	(17,126,726)	(2,010,016)	(545,283,706)
Policy acquisition costs	(9,035,045)	(6,593,104)	(4,275,333)	(19,903,482)
Reinsurance commission income	30,498,647	606,080	12,543,159	43,647,886
Net underwriting result	108,431,761	27,904,883	36,890,400	173,227,044
General and administrative expenses				(54,467,448)
Special commission income and other income				24,257,178
Insurance operations' surplus				143,016,774

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2012

11. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

For the three month period ended December
2011 (unaudited)

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
Insurance operations				
Gross premiums written	202,030,618	27,868,618	256,939,448	486,838,684
Net premiums written	164,873,650	26,351,852	6,328,817	197,554,319
Net premiums earned	476,328,234	45,852,944	27,484,016	549,665,194
Net claims incurred	(345,707,598)	(36,562,342)	(1,248,477)	(383,518,417)
Policy acquisition costs	(10,914,030)	(3,691,360)	(5,838,373)	(20,443,763)
Reinsurance commission income	2,273,466	255,194	18,717,132	21,245,792
Net underwriting result	121,980,072	5,854,436	39,114,298	166,948,806
General and administrative expenses				(46,901,125)
Special commission income and other income				9,993,149

Insurance operations' surplus				130,040,830
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As at 31 December 2012
(Unaudited)

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
Insurance operations' assets				
Reinsurers' share of unearned premiums	167,358,837	2,011,862	464,673,790	634,044,489
Reinsurers' share of outstanding claims	238,913,019	3,353,199	355,093,277	597,359,495
Deferred policy acquisition costs	14,116,048	4,379,341	16,522,716	35,018,105
Unallocated assets				1,881,641,148
				3,148,063,237
Insurance operations' liabilities				
Gross unearned premiums	1,115,725,582	83,032,963	519,893,672	1,718,652,217
Unearned reinsurance commission	-	630,544	49,270,944	49,901,488
Gross outstanding claims	537,240,430	69,651,461	370,814,594	977,706,485
Unallocated liabilities				401,803,047
				3,148,063,237

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

31 December 2012

11. SEGMENTAL INFORMATION (Continued)

Operating segments (Continued)

<i>As at 31 December 2011 (Audited)</i>	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<i>Insurance operations' assets</i>				
Reinsurers' share of unearned premiums	65,662,486	1,024,458	386,442,509	453,129,453
Reinsurers' share of outstanding claims	244,412,722	3,923,935	289,700,057	538,036,714
Deferred policy acquisition costs	13,542,501	4,634,699	11,910,753	30,087,953
Unallocated assets				1,679,331,990
				<u>2,700,586,110</u>
<i>Insurance operations' liabilities</i>				
Gross unearned premiums	830,142,069	60,418,366	427,150,249	1,317,710,684
Unearned reinsurance commission	7,600	338,016	44,856,314	45,201,930
Gross outstanding claims	373,631,213	75,580,527	304,477,767	753,689,507
Unallocated liabilities				583,983,989
				<u>2,700,586,110</u>

12. 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 80 million shares.

13. DIVIDENDS

The general assembly meeting held on 8 Jumada Al Awal 1433H (corresponding to 31 March 2012) approved the Board of Directors' proposal to distribute dividends for the year ended 31 December 2011 amounting to SR 2.00 per share (2010: SR 1.25 per share) to those shareholders registered in the Company's register of shareholders as at the date of the general assembly meeting. The Company has paid the full amount of declared dividends on April 15, 2012.

14. STATUTORY RESERVE

In accordance with its bylaws, 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.

15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 4 Rabi Ul Awwal 1434H (corresponding to 16 January 2013).