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

**INTERIM CONDENSED FINANCIAL STATEMENTS
AND LIMITED REVIEW REPORT**

FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2012

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2012**

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Al Bassam

Certified Public Accountants & Consultants

Deloitte

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 June 2012, and the related interim condensed statements of insurance operations and accumulated surplus, shareholders’ operations and comprehensive income for the three-month and six-month periods then ended and the related interim condensed statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders operations’ cash flows for the six-month period then ended and the related notes which form part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with the International Accounting Standard 34 (“IAS 34”) and submitted to us together with all the information and explanations which we required.

We conducted our 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

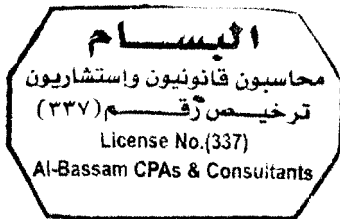
We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with Standard on Interim Financial Reporting issued by SOCPA.

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02 Ramadan 1433H
21 July 2012
Jeddah, Kingdom of Saudi Arabia



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

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

	Note	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	90,144	210,908
Time deposits		89,878	-
Available for sale investments	4	824	28,475
Held to maturity investments	5	22,275	5,361
Premiums receivable, net	6	407,612	381,055
Reinsurance receivables, net		11,890	8,843
Reinsurers' share of unearned premiums		150,723	83,450
Reinsurers' share of outstanding claims		55,576	121,725
Deferred policy acquisition cost		9,920	9,462
Prepayments and other receivables		72,989	60,163
Furniture, fittings and office equipment		9,177	8,542
Total insurance operations' assets		921,008	917,984
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	647	181,780
Time deposits		163,411	-
Available for sale investments	4	4,380	17,450
Held to maturity investments	5	47,082	19,467
Prepayments and other receivables		522	105
Amount due from a related party	14	230	230
Due from insurance operations		18,013	47,708
Goodwill		78,400	78,400
Statutory deposit	10	20,000	20,000
Total shareholders' assets		332,685	365,140
TOTAL ASSETS		1,253,693	1,283,124





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 June 2012**

	Note	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurers payables		112,151	106,097
Unearned commission income		23,662	15,081
Unearned premiums		541,773	402,856
Unexpired risk reserve		1,281	1,281
Outstanding claims		149,530	258,198
Payables to policy holders		14,955	9,887
Accrued and other payables		33,026	52,701
Due to shareholders' operations		18,013	47,708
Employees' terminal benefits		5,922	4,995
Total insurance operations' liabilities		900,313	898,804
Insurance operations' surplus			
Accumulated surplus from insurance operations		20,718	18,720
Available for sale investments reserve		(23)	460
Total insurance operations' liabilities and surplus		921,008	917,984
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		449	5,540
Accrued zakat and income tax	7	15,719	17,088
Amount due to a related party in respect of goodwill	1, 14	-	24,962
Total shareholders' liabilities		16,168	47,590
Shareholders' equity			
Share capital	8	200,000	200,000
Statutory reserve	9	27,429	27,429
Retained earnings		89,118	89,716
Available for sale investments reserve		(30)	405
Total shareholders' equity		316,517	317,550
Total shareholders' liabilities and equity		332,685	365,140
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,253,693	1,283,124



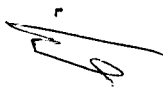


The accompanying notes 1 to 15 form part of these interim condensed financial statements.

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2012**

	Note	<i>Three-month period-ended 30 June</i>		<i>Six-month period-ended 30 June</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>
Revenues					
Gross premiums written		231,821	227,523	667,836	609,796
Less: Reinsurance premiums ceded		(80,026)	(56,512)	(168,463)	(107,311)
Excess of loss premiums		(759)	(810)	(1,519)	(1,619)
Net written premiums		151,036	170,201	497,854	500,866
Changes in net unearned premiums		71,111	(2,530)	(71,644)	(171,211)
Net premiums earned		222,147	167,671	426,210	329,655
Reinsurance commission received		11,329	6,917	19,184	15,098
Net revenues		233,476	174,588	445,394	344,753
Cost and expenses					
Gross claims paid		238,822	162,553	465,092	311,785
Less: Reinsurers' share		(37,363)	(5,432)	(58,022)	(29,780)
Net claims paid		201,459	157,121	407,070	282,005
Changes in outstanding claims		(4,697)	(32,427)	(42,519)	(31,947)
Net claims incurred		196,762	124,694	364,551	250,058
Policy acquisition cost		4,801	5,319	10,089	10,525
Net cost and expenses		201,563	130,013	374,640	260,583
Net result of insurance operations		31,913	44,575	70,754	84,170
General and administrative expenses		(23,512)	(31,062)	(48,326)	(56,129)
Supervision and inspection fee		(1,132)	(1,091)	(3,282)	(2,982)
CCHI fee		(430)	(1,976)	(1,641)	(3,155)
Investment income		891	1,524	2,472	2,570
Surplus from insurance operations		7,730	11,970	19,977	24,474
Shareholders' share of insurance operations		6,957	10,773	17,979	22,027
Surplus for the period		773	1,197	1,998	2,447
Accumulated surplus at the beginning of the period		19,945	14,669	18,720	13,419
Accumulated surplus at the end of the period		20,718	15,866	20,718	15,866


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 SIX-MONTH PERIODS ENDED 30 JUNE 2012

	Note	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June</i>		<i>30 June</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>
Revenues					
Shareholders' share of insurance operations surplus		6,957	10,773	17,979	22,027
Commission income		671	909	1,305	1,751
Investment income		102	-	240	19
Realised gain on investments		316	82	2,882	218
Total revenues		8,046	11,764	22,406	24,015
EXPENSES					
General and administrative expenses		307	369	488	487
Board remunerations		519	195	1,056	450
Total expenses		826	564	1,544	937
NET INCOME FOR THE PERIOD		7,220	11,200	20,862	23,078
Weighted average number of ordinary shares outstanding ('000)		20,000	20,000	20,000	20,000
Earnings per share for the period basic and diluted (SR)	12	0.36	0.56	1.04	1.15





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

**INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2012**

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</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>
Net income for the period	7,220	11,200	20,862	23,078
Other comprehensive income				
Change in fair value of available for sale investments	(190)	(39)	(435)	(149)
Other expenses				
Zakat and income tax (note 7)	(730)	(1,691)	(1,460)	(3,508)
Total comprehensive income for the period	<u>6,300</u>	<u>9,470</u>	<u>18,967</u>	<u>19,421</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 SIX-MONTH PERIOD ENDED 30 JUNE 2012**

For the six-month period ended 30 June 2012

	<u>Saudi founding shareholders and general public</u>				<u>Non-Saudi founding shareholders</u>				<u>Total</u>			
	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	-	-	-	(426)	-	-	-	(9)	-	-	-	(435)
Net income for the period	-	20,445	-	-	-	417	-	-	-	20,862	-	-
Dividend (note 11)	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Zakat and income tax for the period (note 7)	-	(1,350)	-	-	-	(110)	-	-	-	(1,460)	-	-
Balance as at 30 June 2012 – Unaudited	196,000	87,688	26,881	(29)	4,000	1,430	548	(1)	200,000	89,118	27,429	(30)

For the six-month period ended 30 June 2011

	<u>Saudi founding shareholders and general public</u>				<u>Non-Saudi founding shareholders</u>				<u>Total</u>			
	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	-	-	-	(146)	-	-	-	(3)	-	-	-	(149)
Net income for the period	-	22,616	-	-	-	462	-	-	-	23,078	-	-
Zakat and income tax for the period	-	(3,382)	-	-	-	(126)	-	-	-	(3,508)	-	-
Dividend	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Balance as at 30 June 2011 – Unaudited	196,000	73,781	18,485	548	4,000	1,239	377	11	200,000	75,020	18,862	559

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

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

**INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

	<i>Six-month period ended</i>	
	<i>30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
Cash flows from operating activities:		
Surplus for the period from insurance operations	1,998	2,447
Adjustment for:		
Depreciation	2,002	2,569
Employees' terminal benefits	927	1,226
Realised gain on available for sale investments	(1,572)	-
Provision for doubtful debts	6,682	12,178
	<u>10,037</u>	<u>18,420</u>
Changes in operating assets and liabilities:		
Premium receivables, net	(33,558)	(45,591)
Reinsurance' receivables	(2,729)	11,670
Reinsurers' share of unearned premium	(67,273)	14,495
Reinsurers' share of outstanding claims	66,149	(39,103)
Deferred policy acquisition cost	(458)	(3,238)
Amount due from a related party	-	281
Prepayments and other receivables	(12,826)	(17,553)
Reinsurers payables	6,054	(9,496)
Unearned commission income	8,581	(2,943)
Unearned premiums	138,917	156,716
Outstanding claims	(108,668)	7,156
Payables to policy holders	5,068	(1,438)
Accrued and other payables	(19,674)	2,422
Due to shareholders' operations	(29,695)	(75,994)
Net cash flows (used in)/from operating activities	<u>(40,075)</u>	<u>15,804</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,637)	(5,072)
Purchase of available for sale investments	(68)	(20,000)
Purchase of held to maturity investments	(21,775)	-
Time deposits	(89,878)	(3,750)
Proceeds from sale of held to maturity investments	5,081	-
Proceeds from sale of available for sale investments	28,588	4,980
Net cash flows used in investing activities	<u>(80,689)</u>	<u>(23,842)</u>
Decrease in cash and cash equivalents	(120,764)	(8,038)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	210,908	204,310
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>90,144</u>	<u>196,272</u>
<u>Non-cash transactions</u>		
Change in value of available for sale investments	<u>(483)</u>	<u>77</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 SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012**

	<i>Six-month period ended 30 June</i>	
	<i>2012 (Unaudited)</i>	<i>2011 (Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Net income for the period	20,862	23,078
Adjustment for:		
Amortisation of discount on held to maturity investments	-	(43)
Realised gain on available for sale investments	(2,882)	(218)
	<u>17,980</u>	<u>22,817</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables	(417)	145
Due from insurance operations	29,695	75,994
Amount due to a related party in respect of goodwill	(24,962)	-
Accruals and other payables	(5,091)	(90)
Net cash flows from operations	<u>17,205</u>	<u>98,866</u>
Zakat paid	(2,829)	(3,309)
Net cash flows from operating activities	<u>14,376</u>	<u>95,557</u>
INVESTING ACTIVITIES		
Time deposits	(163,411)	43,760
Purchase of available for sale investments	(1,593)	-
Purchase of held to maturity investments	(33,638)	-
Proceeds from sale of held to maturity investments	6,319	-
Proceeds from sale of available for sale investments	16,814	39,792
Net cash flows (used in) /from investing activities	<u>(175,509)</u>	<u>83,552</u>
FINANCING ACTIVITIES		
Dividend	(20,000)	-
Net cash flows used in financing activities	<u>(20,000)</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents	(181,133)	179,109
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	181,780	20,570
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>647</u>	<u>199,679</u>
<u>Non-cash transactions</u>		
Change in value of available for sale investments	<u>(435)</u>	<u>(149)</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 SIX-MONTH PERIODS ENDED 30 JUNE 2012 - UNAUDITED**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

United Cooperative Assurance ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 06 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor) Al Rawdah Street, Khaleediya 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 installment (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 June 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 six-month periods ended 30 June 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 SIX-MONTH PERIODS ENDED 30 JUNE 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.

International Accounting Standards Board (IASB) has issued the following new and amended IFRS and IFRIC that are effective for the periods starting on or after the dates mentioned below:

Standard	Description
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets
IAS 34	Interim financial reporting
IFRS 7	Financial instruments – Disclosures (transfers of financial assets)

Standards issued but not yet effective

Standard	Description	Effective date
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

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2012 – UNAUDITED - (continued)

3. CASH AND CASH EQUIVALENTS

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Insurance operations		
Cash at banks	90,144	153,556
Short term deposits	-	57,352
	<u>90,144</u>	<u>210,908</u>
Shareholders' operations		
Cash in hand and at banks	647	136,135
Short term deposits	-	45,645
	<u>647</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 gain of SR 0.02 million as at 30 June 2012 (31 December 2011: SR 0.46 million) was credited to the surplus from insurance operations as available for sale reserve.

Movement in available for sale investments have 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
As at 30 June 2012 – Unaudited				
Investments in equity shares	8,398	(7,091)	(483)	824
Investments in mutual funds	20,077	(20,077)	-	-
	<u>28,475</u>	<u>(27,168)</u>	<u>(483)</u>	<u>824</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
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 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Quoted securities	2,457	15,527
Unquoted securities	1,923	1,923
	<u>4,380</u>	<u>17,450</u>

i) Available for sale – quoted securities

As at 30 June 2012 – Unaudited	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
Investment in equities managed by Audi Capital	15,527	(12,635)	(435)	2,457
	<u>15,527</u>	<u>(12,635)</u>	<u>(435)</u>	<u>2,457</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 0.44 million as at 30 June 2012 (31 December 2011: Loss SR 0.12 million) was charged to the statement of changes in shareholders' equity as available for sale investments reserve. The available for sale reserve as of 30 June 2012 is SR 0.03 million (31 December 2011: SR 0.41 million)

ii) Available for sale – unquoted securities

As at 30 June 2012 – Unaudited	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
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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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 47.08 (31 December 2011: SR 19.47 million).

6. PREMIUMS RECEIVABLE

	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
Due from policyholders	199,692	178,408
Due from related parties	241,891	229,617
Doubtful debt provision	(33,971)	(26,970)
	407,612	381,055

Movement in provision for doubtful debts is as follows:

	30 June 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	7,001	-
Release of provision during the period/year	-	(4,571)
Balance at the end of the period/year	33,971	26,970

7. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

The movement in the Zakat and Income tax payable is as follows:

	30 June 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	1,460	7,833
Paid during the period/year	(2,829)	(3,309)
Balance at the end of the period/year	15,719	17,088

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

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 board of directors' remuneration and expenses.

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
For the three-month period ended 30 June 2012 - Unaudited				
Insurance operations				
Gross premiums written	35,108	100,826	95,887	231,821
Premiums ceded	-	(232)	(79,794)	(80,026)
Excess of loss premiums	(155)	(162)	(442)	(759)
Net premiums written	34,953	100,432	15,651	151,036
Change in net unearned premiums	37,021	31,353	2,737	71,111
Net premiums earned	71,974	131,785	18,388	222,147
Reinsurance commission received	5	194	11,130	11,329
Net revenue	71,979	131,979	29,518	233,476
COSTS AND EXPENSES:				
Gross claim paid	69,262	130,575	38,985	238,822
Less: Reinsurance share	-	(357)	(37,006)	(37,363)
Net claims paid	69,262	130,218	1,979	201,459
Change in net outstanding claims	(1,430)	(1,777)	(1,490)	(4,697)
Net claims incurred	67,832	128,441	489	196,762
Policy acquisition cost	1,180	2,254	1,367	4,801
Net cost and expenses	69,012	130,695	1,856	201,563
Net underwriting results	2,967	1,284	27,662	31,913
Supervision and inspection fee	(182)	(504)	(446)	(1,132)
CCHI fees	(430)	-	-	(430)
Unallocated expenses				(23,512)
Unallocated investment income				891
Surplus from insurance operations				7,730

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13. SEGMENTAL INFORMATION (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the six-month period ended 30 June 2012 - Unaudited				
Insurance operations				
Gross premiums written	151,184	320,575	196,077	667,836
Premiums ceded	-	(4,284)	(164,179)	(168,463)
Excess of loss premiums	(311)	(325)	(883)	(1,519)
Net premiums written	150,873	315,966	31,015	497,854
Change in net unearned premiums	(6,067)	(60,092)	(5,485)	(71,644)
Net premiums earned	144,806	255,874	25,530	426,210
Reinsurance commission received	12	363	18,809	19,184
Net revenue	144,818	256,237	44,339	445,394
COSTS AND EXPENSES:				
Gross claim paid	143,461	258,206	63,425	465,092
Less: Reinsurance share	(2)	(414)	(57,606)	(58,022)
Net claims paid	143,459	257,792	5,819	407,070
Change in net outstanding claims	(12,096)	(26,662)	(3,761)	(42,519)
Net claims incurred	131,363	231,130	2,058	364,551
Policy acquisition cost	3,467	4,127	2,495	10,089
Net cost and expenses	134,830	235,257	4,553	374,640
Net underwriting results	9,988	20,980	39,786	70,754
Supervision and inspection fee	(762)	(1,603)	(917)	(3,282)
CCHI fees	(1,641)	-	-	(1,641)
Unallocated expenses				2,472
Unallocated investment income				19,977
Surplus from insurance operations				921,008
As at 30 June 2012 – Unaudited				
Reinsurance share of unearned premiums	-	3,104	147,619	150,723
Reinsurance share of outstanding claims	2,086	250	53,240	55,576
Deferred acquisition cost	2,707	4,409	2,804	9,920
Unallocated assets	-	-	-	704,789
				921,008
Unearned commission income	8	402	23,252	23,662
Unearned Premiums	117,799	258,768	165,206	541,773
Outstanding claims	34,313	52,640	62,577	149,530
Unallocated liabilities				206,043
				921,008

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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 June 2011 - Unaudited				
Insurance operations				
Gross premiums written	54,134	106,842	66,547	227,523
Premiums ceded	(642)	-	(55,870)	(56,512)
Excess of loss premiums	(187)	(157)	(466)	(810)
Net premiums written	53,305	106,685	10,211	170,201
Change in net unearned premiums	23,366	(25,558)	(338)	(2,530)
Net premiums earned	76,671	81,127	9,873	167,671
Reinsurance commission received	32	36	6,849	6,917
Net revenue	76,703	81,163	16,722	174,588
COSTS AND EXPENSES:				
Gross claim paid	74,227	81,061	7,265	162,553
Less: Reinsurance share	(156)	(1,288)	(3,988)	(5,432)
Net claims paid	74,071	79,773	3,277	157,121
Change in net outstanding claims	(14,966)	(15,580)	(1,881)	(32,427)
Net claims incurred	59,105	64,193	1,396	124,694
Policy acquisition cost	2,437	1,705	1,177	5,319
Net cost and expenses	61,542	65,898	2,573	130,013
Net underwriting results	15,161	15,265	14,149	44,575
Supervision and inspection fee	(276)	(534)	(281)	(1,091)
CCHI fees	(1,976)	-	-	(1,976)
Unallocated expenses				(31,062)
Unallocated investment income				1,524
Surplus from insurance operations				11,970

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13. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the six-month period ended 30 June 2011 - Unaudited				
Insurance operations				
Gross premiums written	172,005	304,902	132,889	609,796
Premiums ceded	(641)	-	(106,670)	(107,311)
Excess of loss premiums	(373)	(315)	(931)	(1,619)
Net premiums written	170,991	304,587	25,288	500,866
Change in net unearned premiums	(18,455)	(146,748)	(6,008)	(171,211)
Net premiums earned	152,536	157,839	19,280	329,655
Reinsurance commission received	50	78	14,970	15,098
Net revenue	152,586	157,917	34,250	344,753
COSTS AND EXPENSES:				
Gross claim paid	137,438	142,803	31,544	311,785
Less: Reinsurance share	(415)	(3,207)	(26,158)	(29,780)
Net claims paid	137,024	139,596	5,385	282,005
Change in net outstanding claims	(16,590)	(15,848)	491	(31,947)
Net claims incurred	120,434	123,748	5,876	250,058
Policy acquisition cost	4,867	3,403	2,255	10,525
Net cost and expenses	125,301	127,151	8,131	260,583
Net underwriting results	27,285	30,766	26,119	84,170
Supervision and inspection fee	(878)	(1,523)	(581)	(2,982)
CCHI fees	(3,155)	-	-	(3,155)
Unallocated expenses				(56,129)
Unallocated investment income				2,570
Surplus from insurance operations				24,474
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.

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transaction For the period ended</i>		<i>Balance as of</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>31 December 2011 (Audited) SR'000</i>
<i>Insurance Operations</i>					
Shareholders:					
Saudi Bin Laden – Group	Premium	167,401	205,929		
	Payments and claims	(164,205)	(228,274)	218,985	215,804
Rashed Al Rashed – Group	Premium	9,301	8,964		
	Payments and claims	(10,926)	(10,581)	7,966	9,591
Saudi Import Company	Premium	10,393	8,069		
	Payments and claims	(2,732)	-	11,850	4,189
Al Faisaliah Group	Premium	6,315	5,209		
	Payments and claims	(3,676)	(3,039)	2,672	33
Board member:					
Claim and risk services (CARS)	Claim handling fee	3,756	6,908		
	Payment made	(4,068)	(10,868)	3,770	4,082
Claim and risk services (CARS)	Premium	644	502		
	Payments and claims	(234)	(502)	418	8
Law Office of Hassan Mehassni	Premium	317	296		
	Payments and claims	(191)	(159)	211	85
Key management personnel	Remuneration and related expenses	2,136	1,700	-	-
<i>Shareholders' Operations</i>					
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 21 July 2012 corresponding to 02 Ramadan 1433H.