

**SANAD COOPERATIVE INSURANCE AND
REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and nine month periods ended 30 September 2012
together with the
Independent auditors' review report**





Aldar Audit Bureau
Abdullah AlBasri & Co.



KPMG Al Fozan & Al Sadhan

**INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED
FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF
SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)**

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Sanad Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 September 2012 and the related interim statements of insurance operations and shareholders' comprehensive income for the three and nine month period then ended and the statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for nine month period then ended and notes 1 to 10 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 (IAS 34) "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

Based on our review, we are not aware of any material modification that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTER:

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

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Date: 28 Thw al-Qi'dah 1433H
Corresponding to: 14 October 2012

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2012
(Amount in Saudi Riyals)

	<u>Note</u>	<u>30 September 2012 (Unaudited)</u>	<u>31 December 2011 (Audited)</u>
INSURANCE OPERATIONS' ASSETS			
Cash and bank balances		56,862,656	118,055,360
Premiums receivable, net	7	61,122,845	61,083,979
Reinsurers' balance receivable, net	8	9,351,996	24,679,216
Reinsurers' share of outstanding claims and other technical reserves	6	39,378,059	32,128,970
Reinsurers' share of unearned premium		17,095,868	27,294,892
Deferred policy acquisition cost		8,151,407	10,117,495
Prepayments and other assets		10,605,229	6,114,363
Property and equipment, net		3,929,174	4,819,063
Due from shareholders' operations		1,234,107	--
Total insurance operations' assets		<u>207,731,341</u>	<u>284,293,338</u>
SHAREHOLDERS' ASSETS			
Cash and bank balances		50,085,276	34,655,033
Statutory deposit		20,778,852	20,778,852
Investments – available for sale	5	38,195,740	43,702,108
Loan receivable		500,000	500,000
Due from insurance operations		--	15,386,473
Prepayments and other assets		1,899,616	426,614
Total shareholders' assets		<u>111,459,484</u>	<u>115,449,080</u>
Total Assets		<u>319,190,825</u>	<u>399,742,418</u>
INSURANCE OPERATIONS' LIABILITIES			
Unearned premium reserve		66,457,225	83,486,109
Reinsurers' balances payable		5,619,998	35,603,651
Accrued expenses and other liabilities		35,419,479	40,305,391
Outstanding claims and other technical reserves	6	93,927,639	104,267,446
Unearned commission income		3,247,503	3,334,401
End-of-service indemnities		3,059,497	1,909,867
Due to shareholders' operations		--	15,386,473
Total insurance operations' liabilities		<u>207,731,341</u>	<u>284,293,338</u>
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		6,025	97,525
Zakat payable		9,477,269	8,242,480
Due to insurance operations		1,234,107	--
Total shareholders' liabilities		<u>10,717,401</u>	<u>8,340,005</u>
TOTAL LIABILITIES		<u>218,448,742</u>	<u>292,633,343</u>
SHAREHOLDERS' EQUITY			
Share capital		200,000,000	200,000,000
Fair value reserve on investment		9,459,353	5,086,116
Accumulated deficit		(108,717,270)	(97,977,041)
Total shareholders' equity		<u>100,742,083</u>	<u>107,109,075</u>
Total Liabilities and Shareholders' Equity		<u>319,190,825</u>	<u>399,742,418</u>



The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.

Jasim Rashid

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SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS
(Amount in Saudi Riyals)

	<u>Note</u>	Three Months ended 30 September 2012	Three Months ended 30 September 2011	Nine Months ended 30 September 2012	Nine Months ended 30 September 2011
Gross written premiums		14,311,440	27,048,539	134,329,241	184,215,659
Gross inward written reinsurance premiums		136,412	303,148	1,209,259	2,139,053
Gross Written Premium		14,447,852	27,351,687	135,538,500	186,354,712
Reinsurance premiums ceded		(4,674,029)	(8,777,891)	(37,281,658)	(40,842,617)
Net Written Premiums		9,773,823	18,573,796	98,256,842	145,512,095
Changes in unearned premiums		30,552,430	30,902,314	17,028,884	(18,227,704)
Changes in reinsurance unearned premiums		(8,970,106)	(2,775,244)	(10,199,024)	1,497,701
Net Earned Premiums		31,356,147	46,700,866	105,086,702	128,782,092
Reinsurance commission		1,181,343	1,993,087	6,174,089	7,273,009
Policy fee		43,585	37,475	162,014	169,874
Underwriting Revenue		32,581,075	48,731,428	111,422,805	136,224,975
Gross claims paid		(25,193,594)	(34,583,931)	(105,226,714)	(129,029,288)
Reinsurance share of claims paid		5,244,402	4,112,598	21,286,450	50,376,026
Net Claim Paid		(19,949,192)	(30,471,333)	(83,940,264)	(78,653,262)
Net changes in outstanding claim reserve		(661,411)	483,257	13,135,258	(9,064,111)
Net changes in claims Technical reserve		888,899	(1,897,713)	4,453,638	(6,723,788)
Net Claims Incurred		(19,721,704)	(31,885,789)	(66,351,368)	(94,441,161)
Policy acquisition costs		(5,314,738)	(6,783,861)	(18,576,125)	(19,823,659)
Other underwriting expenses, net		(2,187,686)	(982,548)	(4,574,467)	(3,001,765)
Impairment against doubtful receivables	7 & 8	654,544	(6,695,818)	(2,522,530)	(22,025,705)
Underwriting Expenses		(26,569,584)	(46,348,016)	(92,024,490)	(139,292,290)
Underwriting Results		6,011,491	2,383,412	19,398,315	(3,067,315)
General and administration expenses		(8,441,255)	(9,760,414)	(29,256,940)	(30,347,095)
Deficit from insurance operations		(2,429,764)	(7,377,002)	(9,858,625)	(33,414,410)
Other income		51,534	61,151	328,374	154,095
Net deficit from insurance operations		(2,378,230)	(7,315,851)	(9,530,251)	(33,260,315)
Shareholders' appropriation		2,378,230	7,315,851	9,530,251	33,260,315
Net results for the period		--	--	--	--

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.



Yasmin Rashid

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SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE RESULTS - SHAREHOLDERS'
OPERATIONS
(Amount in Saudi Riyals)

<i>Note</i>	Three Months ended 30 September 2012	Three Months ended 30 September 2011	Nine Months ended 30 September 2012	Nine Months ended 30 September 2011
INCOME				
Commission income	113,555	72,409	448,002	221,043
Income from investments, net	706,444	412,500	1,661,444	765,130
	<u>819,999</u>	<u>484,909</u>	<u>2,109,446</u>	<u>986,173</u>
EXPENSES				
Appropriation of deficit from insurance operations	(2,378,230)	(7,315,850)	(9,530,251)	(33,260,314)
General and administration expenses	(366,961)	(195,046)	(1,191,219)	(1,065,672)
	<u>(2,745,191)</u>	<u>(7,510,896)</u>	<u>(10,721,470)</u>	<u>(34,325,986)</u>
NET LOSS FOR THE PERIOD BEFORE ZAKAT	<u>(1,925,192)</u>	<u>(7,025,987)</u>	<u>(8,612,024)</u>	<u>(33,339,813)</u>
Zakat	(744,719)	(605,228)	(2,128,205)	(1,517,077)
	<u>(2,669,911)</u>	<u>(7,631,215)</u>	<u>(10,740,229)</u>	<u>(34,856,890)</u>
NET LOSS FOR THE PERIOD AFTER ZAKAT	<u>(2,669,911)</u>	<u>(7,631,215)</u>	<u>(10,740,229)</u>	<u>(34,856,890)</u>
Changes in fair value of available for sale investments, net	614,598	(348,067)	4,373,237	1,405,515
Total comprehensive loss for the period	<u>(2,055,313)</u>	<u>(7,979,282)</u>	<u>(6,366,992)</u>	<u>(33,451,375)</u>
Basic and diluted loss per share	(0.13)	(0.38)	(0.54)	(1.74)
Weighted average number of shares in issue	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.



Yaqin Radhi

PHJHJ

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012
(Amount in Saudi Riyals)

	Share Capital	Accumulated deficit	Fair value reserve on Investment	Total
2012				
Balance at 31 December 2011	200,000,000	(97,977,041)	5,086,116	107,109,075
Loss for the period	--	(10,740,229)	--	(10,740,229)
Other comprehensive income for the period	--	--	4,373,237	4,373,237
Balance at 30 September 2012	200,000,000	(108,717,270)	9,459,353	100,742,083
2011				
Balance at 31 December 2010	200,000,000	(67,915,230)	2,757,507	134,842,277
Loss for the period	--	(34,856,890)	--	(34,856,890)
Other comprehensive income for the period	--	--	1,405,515	1,405,515
Balance at 30 September 2011	200,000,000	(102,772,120)	4,163,022	101,390,902

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.



Jagmin Rashed

ALJAW

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS (UNAUDITED)
(Amount in Saudi Riyals)

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Operating Activities		
Net results for the period	--	--
<i>Adjustments for non cash items:</i>		
Shareholders' appropriation	(9,530,251)	(33,260,314)
Depreciation	1,510,435	1,323,355
Provision for employees' end of service benefits	1,380,705	708,181
Impairment against doubtful receivables	2,522,530	22,025,705
Loss on sale of property and equipment	57,162	--
Changes in operating assets and liabilities:		
Premiums receivable	(2,561,396)	(6,075,654)
Deferred policy acquisition costs, net	1,966,088	(3,814,095)
Prepayments and other assets	(4,490,866)	(116,780)
Unearned premium reserves, net	(6,829,860)	16,730,003
Unearned commission income	(86,898)	(639,195)
Reinsurers' balances payable	(29,983,653)	(2,494,842)
Accrued and other liabilities	(4,885,912)	21,824,935
Outstanding claims and other technical reserves, net	(17,588,896)	3,870,382
Employees' end of service benefits paid	(231,075)	(133,987)
Due to shareholders' operations	(7,090,329)	39,241,046
Reinsurance balance receivable	15,327,220	--
Net cash (used in) / from operating activities	(60,514,996)	59,188,740
Investing Activities		
Additions to property and equipment	(702,708)	(2,376,680)
Consideration received from sale of property and equipment	25,000	--
Net cash used in investing activities	(677,708)	(2,376,680)
Net changes in cash and bank balances	(61,192,704)	56,812,060
Cash and bank balances, beginning of the period	118,055,360	49,728,434
Cash and bank balances, end of the period	56,862,656	106,540,494

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.



Yasmin Rashid

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SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS (UNAUDITED)
(Amount in Saudi Riyals)

	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Operating Activities		
Net loss for the period before zakat	(8,612,024)	(33,339,813)
<i>Adjustments for non cash items:</i>		
Appropriation from insurance operations	9,530,251	33,260,314
Gain on sale of investments	(253,944)	(765,130)
Changes in operating assets and liabilities:		
Accrued expenses and other liabilities	(91,500)	(162,177)
Prepayments and other assets	(1,473,002)	944,465
Due from insurance operations	7,090,329	(39,241,046)
Zakat paid	(893,416)	(622,516)
Net cash from / (used) in operating activities	5,296,694	(39,925,903)
Investing Activities		
Statutory deposits	--	(88,465)
Redemption of investments – available for sale	10,133,549	44,615,267
Net cash from investing activities	10,133,549	44,526,802
Net changes in cash and bank balances	15,430,243	4,600,899
Cash and bank balances, beginning of the period	34,655,033	35,727,409
Cash and bank balances, end of the period	50,085,276	40,328,308
Non – cash supplemental information:		
Change in fair value of investments	4,373,237	1,405,515

The accompanying notes 1 to 10 form an integral part of these interim condensed financial statements.



Tamin Rashid

PWJAW

SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Sanad Cooperative Insurance & Reinsurance Company ("the Company") is a Saudi Joint Stock Company incorporated under Ministerial Resolution dated 15 Jumada II, 1428 H, (corresponding to 30 June 2007). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010235409 dated 23 Jumada II, 1428 H (corresponding to 8 July 2007). The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi Stock Exchange on 21 July 2007.

The Registered Office of the Company is located at Dareen Center, Al Ahsa Street, Riyadh, 11417, Kingdom of Saudi Arabia. These interim condensed financial statements cover the period from 01 January 2012 to 30 September 2012 (the "period").

2 BASIS OF PREPARATION

2.1 *Basis of measurement*

The interim condensed financial statements have been prepared under the historical cost convention, except for the available-for-sale investments measured at fair value and going concern concept.

As at 30 September 2012, the Company's solvency margin is below the limit prescribed by Saudi Arabian Monetary Agency (SAMA). However, based on Company's negotiations with SAMA, future business prospects and improvement in net results of the Company the management believes that the going concern assumption is valid and has therefore prepared the financial statements on a going concern basis.

2.2 *Statement of compliance*

The interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

As required by Saudi Arabian Insurance Regulations, the Company maintains separate books of accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined and approved by the management and Board of Directors.

The 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 financial statements for the year ended 31 December 2011.

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 period presented. The Company's interim results may not be indicative of its annual results.



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SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012

2 BASIS OF PREPARATION (Continued)

2.3 *Functional and presentation currency*

The interim condensed financial statements have been presented in Saudi Riyals, being the functional currency of the Company. Amounts rounded to nearest Riyal unless otherwise indicated.

2.4 *Use of accounting judgements, estimates and assumptions in the preparation of interim condensed financial statements*

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period.

Although these judgments, estimates and assumptions are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the revision and future periods if the revision affects both current and future periods.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Unearned premium reserve
- Outstanding claims and other technical reserve
- Impairment of receivables
- Impairment in value of investment – available for sale

3 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES

The accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with the Company's audited financial statements for the year ended 31 December 2011, except for the adoption of amendments to IAS 1 "Presentation of Financial Statements" with respect to presentation of items of other comprehensive income which has had no financial impact on these interim condensed financial statements.



Yasmin Rashid

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SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012
(Amount in Saudi Riyals)

4. RELATED PARTY TRANSACTIONS

Saudi Continental Insurance Company is a related party being 10% founding shareholder in the Company and through common directorship, and Aggad Investment Company is a related party through 90% shares in Saudi Continental Insurance Company and also having a common directorship.

The following are the details of related party transactions during the period. There were no outstanding balances at the balance sheet dates.

<u>Related party</u>	<u>Nature of transaction</u>	<u>For three months ended</u>		<u>For nine months ended</u>	
		<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
		SR	SR	SR	SR
Key management personnel	Remuneration	1,432,443	1,135,507	3,526,901	3,179,702

5. INVESTMENTS

Investments in available for sale securities

Investment in available for sale securities comprise of the following:

	<u>30 September 2012</u>			<u>31 December 2011</u>
	<u>Cost</u>	<u>Market value</u>	<u>Unrealised gain</u>	<u>Market value</u>
<u>Quoted</u>				
Mutual Funds	6,625,998	6,933,793	307,795	10,923,622
Global Sukuk Fund deposits	9,450,000	10,787,054	1,337,054	10,245,408
Equities	10,737,311	18,551,815	7,814,504	20,610,000
	<u>26,813,309</u>	<u>36,272,662</u>	<u>9,459,353</u>	<u>41,779,030</u>
<u>Unquoted</u>				
Equities	1,923,078	1,923,078	--	1,923,078
Total investments in available for sale	<u>28,736,387</u>	<u>38,195,740</u>	<u>9,459,353</u>	<u>43,702,108</u>

Movements in available for sale investments are as follows:

	<u>Nine months ended</u>	<u>Nine months ended</u>
	<u>30 September</u>	<u>30 September</u>
	<u>2012</u>	<u>2011</u>
At the beginning of the period	43,702,108	85,223,611
Disposals during the period	(9,879,605)	(43,850,137)
Change in fair value	4,373,237	1,405,515
At the end of the period	<u>38,195,740</u>	<u>42,778,989</u>



Jasmin Radhi

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SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012
(Amount in Saudi Riyals)



6. OUTSTANDING CLAIMS AND OTHER TECHNICAL RESERVES

	30 September 2012		
	<u>Gross</u>	Reinsurers'	
		<u>Share</u>	<u>Net</u>
Outstanding claim reserves	61,510,112	(29,005,804)	32,504,308
Incurred but not reported reserve	26,700,893	(10,372,255)	16,328,638
Unallocated loss adjustment expense reserve	5,716,634	--	5,716,634
Outstanding claims and other technical reserves	93,927,639	(39,378,059)	54,549,580

	31 December 2011		
	<u>Gross</u>	Reinsurers'	
		<u>Share</u>	<u>Net</u>
Outstanding claim reserves	70,802,230	(25,162,644)	45,639,586
Incurred but not reported reserve	27,545,912	(6,966,306)	20,579,606
Unallocated loss adjustment expense reserve	5,919,304	--	5,919,304
Outstanding claims and other technical reserves	104,267,446	(32,128,950)	72,138,496

7. PREMIUMS RECEIVABLE, NET

	<u>30 September 2012</u>	31 December 2011
Premiums receivable	92,377,766	89,866,512
Less : Impairment against doubtful receivables	<u>(31,254,921)</u>	<u>(28,782,533)</u>
	<u>61,122,845</u>	<u>61,083,979</u>

	<u>Total</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>
30 September 2012	92,377,766	18,683,549	42,439,296	31,254,921
31 December 2011	89,866,512	18,793,884	42,290,095	28,782,533

The Company classifies receivable balances as 'past due and impaired' on a case to case basis, impairment against which is recorded in the statement of insurance operations. The Company does not obtain collateral against premium receivables. Amount which are neither past due nor considered impaired by management, in respect of premium receivables, are from individuals and unrated corporate policy holders.

8. REINSURERS' BALANCE RECEIVABLE, NET

	<u>30 September 2012</u>	31 December 2011
Reinsurers' balance receivable	9,402,138	24,679,216
Less: Impairment against doubtful receivables	<u>(50,142)</u>	--
	<u>9,351,996</u>	<u>24,679,216</u>

	<u>Total</u>	<u>Past due but not impaired</u>	<u>Past due and impaired</u>
30 September 2012	9,402,138	9,351,996	50,142
31 December 2011	24,679,216	24,679,216	--

Yasir Rashid

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SANAD COOPERATIVE INSURANCE AND REINSURANCE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2012
(Amount in Saudi Riyals)

9. SEGMENT INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities, assets and liabilities as stated below. Segment results do not include general and administration expenses and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, premiums receivable and cash and cash equivalents. Accordingly they are included in unallocated assets. Premiums receivable are not reported to chief operating decision maker under related segments and are monitored on a centralized basis.

Segment liabilities do not include insurance operations' due to shareholders operations, end-of-service indemnities, reinsurers' balances payable, accrued expenses and other liabilities and due to shareholders operations. Accordingly they are included in unallocated liabilities. All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

a) Statement of results for insurance operations

	For the three months ended 30 September 2012					
	<u>Medical</u>	<u>Motor</u>	<u>Marine</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Gross written premiums	2,667,777	7,253,589	2,065,787	741,068	1,719,631	14,447,852
Reinsurance premiums ceded	(477,572)	(460,250)	(2,454,040)	(350,095)	(932,072)	(4,674,029)
Net written premiums	2,190,205	6,793,339	(388,253)	390,973	787,559	9,773,823
Net changes in unearned premiums	11,653,476	9,503,012	(61,692)	221,587	265,941	21,582,324
Net earned premiums	13,843,681	16,296,351	(449,945)	612,560	1,053,500	31,356,147
Reinsurance commission earned	--	--	495,437	756,620	(70,714)	1,181,343
Other underwriting income	1,600	24,360	12,151	975	4,499	43,585
Total underwriting revenue	13,845,281	16,320,711	57,643	1,370,155	987,285	32,581,075
Gross claims paid	(11,039,748)	(10,815,249)	(2,419,212)	(289,636)	(629,749)	(25,193,594)
Reinsurance share of claims paid	3,000,262	370,250	852,758	305,285	715,847	5,244,402
Net claims paid	(8,039,486)	(10,444,999)	(1,566,454)	15,649	86,098	(19,949,192)
Net changes in claims reserves	1,528,559	(1,552,648)	235,109	63,459	(46,991)	227,488
Net claims cost	(6,510,927)	(11,997,647)	(1,331,345)	79,108	39,107	(19,721,704)
Policy acquisition costs	(1,486,254)	(2,559,332)	(149,968)	(513,561)	(605,623)	(5,314,738)
Other underwriting Expenses	(596,001)	(55,836)	(523,683)	(504,308)	(507,858)	(2,187,686)
Provision against doubtful receivables	351,080	303,464	--	--	--	654,544
Total underwriting expenses	(8,242,102)	(14,309,351)	(2,004,996)	(938,761)	(1,074,374)	(26,569,584)
Underwriting surplus / (deficit) before administration expenses	5,603,179	2,011,360	(1,947,353)	431,394	(87,089)	6,011,491
Unallocated income						51,534
Unallocated expenses						(8,441,255)
Net Deficit from insurance operations						(2,378,230)



Jawad Raed

Ph.H.U

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9. SEGMENT INFORMATION (Continued)

a) Statement of results for insurance operations (continued)

	For the nine months ended 30 September 2012					
	<u>Medical</u>	<u>Motor</u>	<u>Marine</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Gross written premiums	43,788,593	60,351,882	10,869,863	8,512,556	12,015,606	135,538,500
Reinsurance premiums ceded	(9,951,659)	(1,439,650)	(9,113,380)	(7,685,561)	(9,091,408)	(37,281,658)
Net written premiums	33,836,934	58,912,232	1,756,483	826,995	2,924,198	98,256,842
Net changes in unearned premiums	17,304,123	(10,616,751)	31,954	527,821	(417,287)	6,829,860
Net earned premiums	51,141,057	48,295,481	1,788,437	1,354,816	2,506,911	105,086,702
Reinsurance commission earned	--	--	2,425,251	2,236,434	1,512,404	6,174,089
Other underwriting income	9,300	84,009	40,800	3,535	24,370	162,014
Total underwriting revenue	51,150,357	48,379,490	4,254,488	3,594,785	4,043,685	111,422,805
Gross claims paid	(56,366,818)	(38,074,047)	(4,908,858)	(1,676,095)	(4,200,896)	(105,226,714)
Reinsurance share of claims paid	15,078,495	471,280	815,031	1,595,501	3,326,143	21,286,450
Net claims paid	(41,288,323)	(37,602,767)	(4,093,827)	(80,594)	(874,753)	(83,940,264)
Net changes in claims reserves	20,986,452	(1,493,795)	(1,052,270)	(686,590)	(164,901)	17,588,896
Net claims cost	(20,301,871)	(39,096,562)	(5,146,097)	(767,184)	(1,039,654)	(66,351,368)
Policy acquisition costs	(6,206,696)	(7,647,283)	(1,342,907)	(1,535,473)	(1,843,766)	(18,576,125)
Other underwriting Expenses	(2,403,566)	(342,374)	(567,589)	(541,122)	(719,816)	(4,574,467)
Provision against doubtful receivables	60,093	(2,582,623)	--	--	--	(2,522,530)
Total underwriting expenses	(28,852,040)	(49,668,842)	(7,056,593)	(2,843,779)	(3,603,236)	(92,024,490)
Underwriting surplus / (deficit) before administration expenses	22,298,317	(1,289,352)	(2,802,105)	751,006	440,449	19,398,315
Unallocated income						328,374
Unallocated expenses						(29,256,940)
Net Deficit from insurance operations						(9,530,251)



Yassin Rashed

PHH

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9. SEGMENT INFORMATION (continued)

a) Statement of results for insurance operations (continued)

	For the three months ended 30 September 2011					
	<u>Medical</u>	<u>Motor</u>	<u>Marine</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Gross written premiums	13,374,451	9,524,996	1,517,130	1,100,508	1,834,602	27,351,687
Reinsurance premiums ceded	<u>(5,313,470)</u>	<u>(489,700)</u>	<u>(325,564)</u>	<u>(1,114,349)</u>	<u>(1,534,808)</u>	<u>(8,777,891)</u>
Net written premiums	8,060,981	9,035,296	1,191,566	(13,841)	299,794	18,573,796
Net changes in unearned premiums	<u>21,577,329</u>	<u>6,277,355</u>	<u>(72,604)</u>	<u>(12,131)</u>	<u>357,121</u>	<u>28,127,070</u>
Net earned premiums	29,638,310	15,312,651	1,118,962	(25,972)	656,915	46,700,866
Reinsurance commission earned	--	--	421,990	823,073	748,024	1,993,087
Other underwriting income	1,401	18,535	12,105	605	4,829	37,475
Total underwriting revenue	<u>29,639,711</u>	<u>15,331,186</u>	<u>1,553,057</u>	<u>797,706</u>	<u>1,409,768</u>	<u>48,731,428</u>
Gross claims paid	<u>(23,655,267)</u>	<u>(6,848,342)</u>	<u>(613,841)</u>	<u>(687,066)</u>	<u>(2,779,415)</u>	<u>(34,583,931)</u>
Reinsurance share of claims paid	1,264,564	81,450	398,065	149,493	2,219,026	4,112,598
Net claims paid	<u>(22,390,703)</u>	<u>(6,766,892)</u>	<u>(215,776)</u>	<u>(537,573)</u>	<u>(560,389)</u>	<u>(30,471,333)</u>
Net changes in claims reserves	<u>1,553,149</u>	<u>(2,573,830)</u>	<u>18,637</u>	<u>(23,161)</u>	<u>(389,251)</u>	<u>(1,414,456)</u>
Net claims cost	<u>(20,837,554)</u>	<u>(9,340,722)</u>	<u>(197,139)</u>	<u>(560,734)</u>	<u>(949,640)</u>	<u>(31,885,789)</u>
Policy acquisition costs	<u>(2,862,270)</u>	<u>(2,577,796)</u>	<u>(188,328)</u>	<u>(450,360)</u>	<u>(705,107)</u>	<u>(6,783,861)</u>
Other underwriting Expenses	<u>(538,741)</u>	<u>(63,500)</u>	<u>(47,428)</u>	<u>(69,078)</u>	<u>(263,801)</u>	<u>(982,548)</u>
Provision against doubtful receivables	<u>(1,522,412)</u>	<u>(5,173,406)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(6,695,818)</u>
Total underwriting expenses	<u>(25,760,977)</u>	<u>(17,155,424)</u>	<u>(432,895)</u>	<u>(1,080,172)</u>	<u>(1,918,548)</u>	<u>(46,348,016)</u>
Underwriting surplus / (deficit) before administration expenses	<u>3,878,734</u>	<u>(1,824,238)</u>	<u>1,120,162</u>	<u>(282,466)</u>	<u>(508,780)</u>	<u>2,383,412</u>
Unallocated income						61,151
Unallocated expenses						<u>(9,760,414)</u>
Net Deficit from insurance operations						<u>(7,315,851)</u>



Jasim Radhi

PLHAW

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9. SEGMENT INFORMATION (Continued)

a) Statement of results for insurance operations (continued)

	For the nine months ended 30 September 2011					
	<u>Medical</u>	<u>Motor</u>	<u>Marine</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Gross written premiums	101,888,818	55,549,290	8,130,032	7,153,565	13,633,007	186,354,712
Reinsurance premiums ceded	(16,234,484)	(1,551,700)	(5,332,608)	(6,510,514)	(11,213,311)	(40,842,617)
Net written premiums	85,654,334	53,997,590	2,797,424	643,051	2,419,696	145,512,095
Net changes in unearned premiums	(9,321,063)	(7,261,253)	(154,530)	215,487	(208,644)	(16,730,003)
Net earned premiums	76,333,271	46,736,337	2,642,894	858,538	2,211,052	128,782,092
Reinsurance commission earned	--	--	2,419,340	1,945,892	2,907,777	7,273,009
Other underwriting income	15,601	73,565	47,295	3,890	29,523	169,874
Total underwriting revenue	76,348,872	46,809,902	5,109,529	2,808,320	5,148,352	136,224,975
Gross claims paid	(62,131,751)	(30,979,618)	(2,972,613)	(2,396,002)	(30,549,304)	(129,029,288)
Reinsurance share of claims paid	14,340,103	3,218,978	2,356,417	1,799,500	28,661,028	50,376,026
Net claims paid	(47,791,648)	(27,760,640)	(616,196)	(596,502)	(1,888,276)	(78,653,262)
Net changes in claims reserves	(11,899,832)	(3,771,232)	(365,913)	(10,172)	259,250	(15,787,899)
Net claims incurred	(59,691,480)	(31,531,872)	(982,109)	(606,674)	(1,629,026)	(94,441,161)
Policy acquisition costs	(7,015,560)	(7,847,952)	(1,471,951)	(1,333,156)	(2,155,040)	(19,823,659)
Other underwriting Expenses	(1,635,108)	(414,007)	(192,044)	(262,981)	(497,625)	(3,001,765)
Impairment against doubtful receivables	(13,197,381)	(8,828,324)	--	--	--	(22,025,705)
Total underwriting expenses	(81,539,529)	(48,622,155)	(2,646,104)	(2,202,811)	(4,281,691)	(139,292,290)
Underwriting surplus / (deficit) before administration expenses	(5,190,657)	(1,812,253)	2,463,425	605,509	866,661	(3,067,315)
Unallocated income						154,095
Unallocated expenses						(30,347,095)
Net Deficit from insurance operations						(33,260,315)



Yasir Rashid

ALWJH

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9. SEGMENT INFORMATION (continued)

b) Insurance operations' assets and liabilities

	At 30 September 2012					<u>Total</u>
	<u>Medical</u>	<u>Motor</u>	<u>Marine</u>	<u>Engineering</u>	<u>Others</u>	
Insurance operations assets						
Receivables for reinsurers	6,471,431	--	1,633,092	431,640	815,833	9,351,996
Reinsurers' share of unearned premium	15,215,068	4,223,630	7,018,301	6,911,377	6,009,683	39,378,059
Reinsurers' share of technical reserves	5,071,038	--	2,422,576	4,684,759	4,917,495	17,095,868
Deferred policy acquisition cost	1,366,336	4,581,376	399,686	812,194	991,815	8,151,407
Allocated assets	<u>28,123,873</u>	<u>8,805,006</u>	<u>11,473,655</u>	<u>12,839,970</u>	<u>12,734,826</u>	73,977,330
Unallocated assets						<u>133,754,011</u>
Total insurance operations assets						<u>207,731,341</u>
Insurance operations liabilities						
Unearned premium reserves	19,224,855	31,765,817	3,242,839	5,074,512	7,149,202	66,457,225
Outstanding claims and other technical reserves	38,046,827	31,831,387	8,695,852	7,929,010	7,424,563	93,927,639
Reinsurers' share of deferred policy acquisition cost	--	--	761,032	1,186,267	1,300,204	3,247,503
Allocated liabilities	<u>57,271,682</u>	<u>63,597,204</u>	<u>12,699,723</u>	<u>14,189,789</u>	<u>15,873,969</u>	163,632,367
Unallocated liabilities						<u>44,098,974</u>
Total insurance operations liabilities						<u>207,731,341</u>



Yasmin Radwan

ALH

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9. SEGMENT INFORMATION (continued)

b) Insurance operations' assets and liabilities (continued)

	At 31 December 2011					
	<u>Medical</u>	<u>Motor</u>	<u>Marine</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Insurance operations assets						
Reinsurers' balance receivable	17,791,180	1,499,703	908,513	217,961	4,261,859	24,679,216
Reinsurers' share of unearned premium	15,068,256	--	1,787,868	5,637,942	4,800,826	27,294,892
Reinsurers' share of outstanding claims and other technical reserves	13,381,438	4,817,964	3,890,929	4,331,404	5,707,235	32,128,970
Deferred policy acquisition cost	4,421,036	3,379,981	348,494	909,743	1,058,241	10,117,495
Allocated assets	<u>50,661,910</u>	<u>9,697,648</u>	<u>6,935,804</u>	<u>11,097,050</u>	<u>15,828,161</u>	94,220,573
Unallocated assets						<u>190,072,765</u>
Total insurance operations assets						<u>284,293,338</u>
Insurance operations liabilities						
Unearned premium reserves	46,526,196	21,149,066	2,640,085	6,555,516	6,615,246	83,486,109
Outstanding claims and other technical reserves	57,199,649	30,931,925	4,516,209	4,662,447	6,957,216	104,267,446
Unearned commission income	--	--	571,115	1,431,824	1,331,462	3,334,401
Allocated liabilities	<u>103,725,845</u>	<u>52,080,991</u>	<u>7,727,409</u>	<u>12,649,787</u>	<u>14,903,924</u>	191,087,956
Unallocated liabilities						<u>93,205,382</u>
Total insurance operations liabilities						<u>284,293,338</u>



Janin Rashed

ALJ.H

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9. SEGMENT INFORMATION (continued)

b) Outstanding claims and other technical reserves

	At 30 September 2012					
	<u>Medical</u>	<u>Motor</u>	<u>Marine</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Outstanding claim reserve	24,443,929	21,800,205	4,698,373	5,618,382	4,949,223	61,510,112
IBNR reserve	12,139,559	5,851,033	3,997,479	2,237,482	2,475,340	26,700,893
ULAE reserve	1,463,339	4,180,149	--	73,146	--	5,716,634
Total outstanding claims and other technical reserves	38,046,827	31,831,387	8,695,852	7,929,010	7,424,563	93,927,639

	At 31 December 2011					
	<u>Medical</u>	<u>Motor</u>	<u>Marine</u>	<u>Engineering</u>	<u>Others</u>	<u>Total</u>
Outstanding claim reserve	38,299,062	20,900,744	3,018,730	3,051,818	5,531,876	70,802,230
IBNR reserve	17,234,578	5,851,033	1,497,479	1,537,482	1,425,340	27,545,912
ULAE reserve	1,666,009	4,180,148	--	73,147	--	5,919,304
Total outstanding claims and other technical reserves	57,199,649	30,931,925	4,516,209	4,662,447	6,957,216	104,267,446

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 14 October 2012 corresponding to 28 Thw al-Qi`dah 1433H.



Yamin Rakhil

ALHAKI