

**SAUDI IAIC COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

**SAUDI IAIC COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
31 MARCH 2012**

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**LIMITED REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SAUDI IAIC COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)**

**Scope of review**

We have reviewed the accompanying interim statement of financial position of Saudi IAIC Cooperative Insurance Company – a Saudi Joint Stock Company – (the “Company”) as at 31 March 2012, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operations, comprehensive income, changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the three-month period then ended. 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 limited review in accordance with the Standard on review of interim financial statements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A limited review consists principally of analytical procedures applied 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 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 Information issued by SOCPA.

**for Ernst & Young**

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Certified Public Accountant  
Licence No. 393



**for Al Bassam**

Certified Public Accountants & Consultants

Ibrahim A. Al-Bassam  
Certified Public Accountant  
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29 Jumad Awal 1433H  
21 April 2012

Jeddah, Kingdom of Saudi Arabia




Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

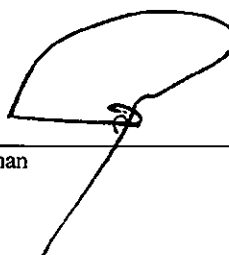
INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	<i>Notes</i>	<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	43,500	43,560
Term deposits	3	23,993	23,993
Premium receivables, net	4	54,929	39,650
Reinsurance receivables		8,317	7,457
Deferred policy acquisition costs		8,571	10,109
Prepayments and other receivables		7,636	4,477
Amounts due from a related party	7	6,759	6,759
FVIS investments	5 (a)	3,089	3,077
Reinsurers' share of unearned premiums		14,872	14,058
Reinsurers' share of outstanding claims		14,391	15,128
Held to maturity investments	5 (b)	15,695	13,697
Furniture, fittings and office equipment		5,843	6,029
<b>Total insurance operations' assets</b>		<b>207,595</b>	<b>187,994</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	29,518	29,373
Term deposits	3	10,000	10,000
FVIS investments	5 (a)	3,790	3,269
Available for sale investments	5 (c)	22,826	20,385
Prepayments and other receivables		225	79
Due from insurance operations' fund		3,203	6,818
Statutory deposit		10,666	10,643
Held to maturity investments	5 (b)	8,722	8,722
Goodwill	1	7,140	7,140
<b>Total shareholders' assets</b>		<b>96,090</b>	<b>96,429</b>
<b>TOTAL ASSETS</b>		<b>303,685</b>	<b>284,423</b>

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Chairman

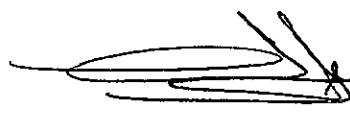
The accompanying notes 1 to 11 form part of these interim condensed financial statements.


Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company


INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2012

	<i>Notes</i>	<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance operations' liabilities</b>			
Unearned premiums		123,489	102,611
Provision for premium deficiency		63	63
Unearned commission income		1,369	1,182
Outstanding claims		41,952	46,845
Policyholders' claims		9,785	8,361
Reinsurance payables		3,897	4,878
Other payables		14,967	8,193
Due to shareholders' fund		3,203	6,818
Employees' terminal benefits		5,856	6,029
		<u>204,581</u>	<u>184,980</u>
<b>Insurance operations' surplus</b>			
Accumulated surplus from insurance operations		3,014	3,014
		<u>207,595</u>	<u>187,994</u>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accruals and other payables		2,094	2,070
Zakat provision	6	2,661	2,211
Amount due to a related party - other	7	17	17
Amount due to a related party in respect of goodwill	1	7,140	7,140
		<u>11,912</u>	<u>11,438</u>
<b>Shareholders' equity</b>			
Share capital		100,000	100,000
Accumulated losses		(23,002)	(19,748)
Available for sale investments reserve		7,180	4,739
		<u>84,178</u>	<u>84,991</u>
<b>Total shareholders' liabilities and equity</b>		<u>96,090</u>	<u>96,429</u>
<b>TOTAL LIABILITIES, SURPLUS AND EQUITY</b>		<u>303,685</u>	<u>284,423</u>

  
 \_\_\_\_\_  
 Chief Financial Officer

  
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 Chairman

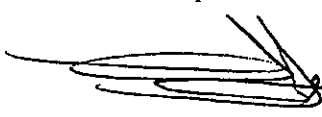
  
 \_\_\_\_\_  
 Chief Executive Officer

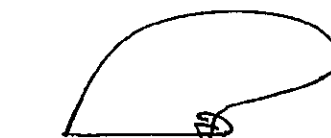
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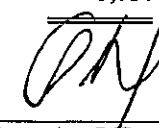
Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company  
**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS**

For the three-month period ended 31 March 2012

	Note	<i>Three-month period ended 31 March</i>	
		<i>2012</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>2011</i> <i>(Unaudited)</i> <i>SR'000</i>
<b>Revenue</b>			
Gross premiums written		79,074	50,831
Less: Reinsurance premiums ceded		(9,190)	(11,044)
Less: Excess of loss premiums		(700)	(460)
Net premiums written		69,184	39,327
Changes in net unearned premiums		(20,064)	(14,038)
Net premiums earned		49,120	25,289
Net reinsurance commissions earned		816	1,019
Net revenue		49,936	26,308
<b>Costs and expenses</b>			
Gross claims paid		48,682	38,262
Less: Reinsurers' share		(6,720)	(13,627)
Net claims paid		41,962	24,635
Changes in net outstanding claims		(4,156)	(12,614)
Net claims incurred		37,806	12,021
Policy acquisition costs		5,108	1,385
Other operating expenses		1,796	1,486
Net costs and expenses		44,710	14,892
Net results of insurance operations		5,226	11,416
General and administrative expenses		(9,330)	(6,455)
Other income		210	-
Investment income		318	220
<b>(Deficit)/surplus from insurance operations</b>		<b>(3,576)</b>	<b>5,181</b>
Shareholders' share of insurance operations' deficit/(surplus)	2	3,576	(4,663)
<b>Surplus for the period</b>		<b>-</b>	<b>518</b>
<b>Accumulated surplus at the beginning of the period</b>		<b>3,014</b>	<b>2,523</b>
<b>Accumulated surplus at the end of the period</b>		<b>3,014</b>	<b>3,041</b>

  
 Chief Financial Officer

  
 Chairman

  
 Chief Executive Officer

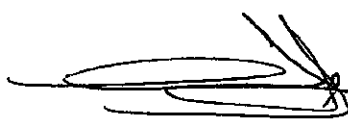
The accompanying notes 1 to 11 form part of these interim condensed financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month period ended 31 March 2012

	Notes	Three-month period ended 31 March	
		2012 (Unaudited) SR'000	2011 (Unaudited) SR'000
<b>REVENUE</b>			
Shareholders' share of insurance operations' (deficit)/surplus	2	(3,576)	4,663
Investment income		812	64
Total revenue		(2,764)	4,727
<b>EXPENSES</b>			
General and administration		(40)	(27)
Net (loss)/profit for the period before Zakat		(2,804)	4,700
Zakat	6	(450)	(450)
Net (loss)/profit for the period		(3,254)	4,250
<b>Weighted average number of ordinary shares outstanding (in thousands)</b>			
		10,000	10,000
<b>Basic and diluted (loss)/earnings per share - SR</b>			
		(0.33)	0.43

  
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 Chief Financial Officer

  
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 Chairman

  
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 Chief Executive Officer

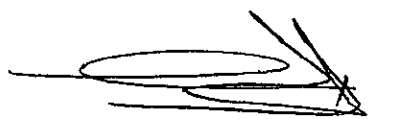
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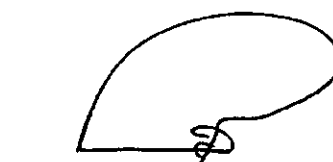
Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company


INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2012

	<i>Three-month period ended 31 March</i>	
	<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>
Net (loss)/profit for the period	(3,254)	4,250
Change in fair value of available for sale investments	2,441	(99)
<b>Total comprehensive (loss)/income for the period</b>	<b>(813)</b>	<b>4,151</b>

  
Chief Financial Officer

  
Chairman

  
Chief Executive Officer

The accompanying notes 1 to 11 form part of these interim condensed financial statements.



Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

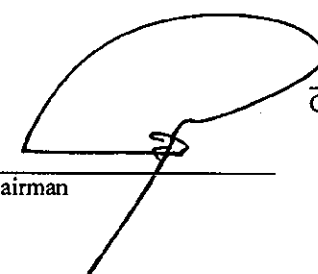
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY


For the three-month period ended 31 March 2012

	<i>For the three-month period ended 31 March 2012</i>			
	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Available for sale investments reserve SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2011 (audited)	100,000	(19,748)	4,739	84,991
Net loss for the period	-	(3,254)	-	(3,254)
Other comprehensive income for the period	-	-	2,441	2,441
<b>Balance at 31 March 2012 (unaudited)</b>	<b>100,000</b>	<b>(23,002)</b>	<b>7,180</b>	<b>84,178</b>

	<i>For the three-month period ended 31 March 2011</i>			
	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Available for sale investments reserve SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2010 (audited)	100,000	(22,019)	4,486	82,467
Net profit for the period	-	4,250	-	4,250
Other comprehensive loss for the period	-	-	(99)	(99)
<b>Balance at 31 March 2011 (unaudited)</b>	<b>100,000</b>	<b>(17,769)</b>	<b>4,387</b>	<b>86,618</b>

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Chairman

  
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 Chief Executive Officer


The accompanying notes 1 to 11 form part of these interim condensed financial statements.


Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

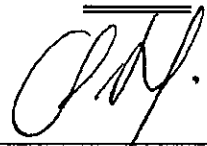
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the three-month period ended 31 March 2012

	<i>Three-month period ended 31 March 2012 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2011 (Unaudited) SR'000</i>
<i>Notes</i>		
<b>OPERATING ACTIVITIES</b>		
Surplus for the period from the insurance operations	-	518
Adjustments for:		
Deferred policy acquisition costs	1,538	(1,675)
Unrealized gain on FVIS investments	(12)	(30)
Reinsurers share of unearned premiums	(814)	(3,261)
Unearned premiums	20,878	17,299
Unearned commission income	187	226
Depreciation	662	294
Employees end of service benefits, net	(173)	154
	<u>22,266</u>	<u>13,525</u>
Changes in operating assets and liabilities:		
Premium receivables, net	(15,279)	(9,106)
Reinsurance receivables	(860)	(6,773)
Prepayments and other receivables	(3,159)	(345)
Amount due from a related party	-	(4)
Reinsurers share of outstanding claims	737	3,564
Outstanding claims	(4,893)	(16,178)
Policyholders' claims	1,424	10,320
Reinsurance payables	(981)	2,898
Other payables	6,774	3,981
Due to shareholders' fund	(3,615)	4,516
	<u>2,414</u>	<u>6,398</u>
Net cash from operating activities		
	<u>2,414</u>	<u>6,398</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of held to maturity investments	(1,998)	-
Purchase of furniture, fittings and office equipment	(476)	(61)
	<u>(2,474)</u>	<u>(61)</u>
Cash used in investing activities		
	<u>(2,474)</u>	<u>(61)</u>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(60)</b>	<b>6,337</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>43,560</b>	<b>47,689</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>43,500</b>	<b>54,026</b>

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chairman

  
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Chief Executive Officer

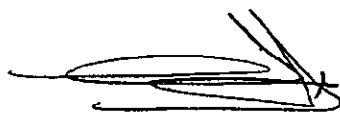
The accompanying notes 1 to 11 form part of these interim condensed financial statements.


Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company


INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the three-month period ended 31 March 2012

	<i>Three-month period ended 31 March 2012 (Unaudited) SR'000</i>	<i>Three-month period ended 31 March 2011 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Net (loss)/profit for the period before Zakat	(2,804)	4,700
Adjustments for:		
Unrealized (gain)/loss on FVIS investments	(521)	47
	<u>(3,325)</u>	<u>4,747</u>
Changes in operating assets and liabilities:		
Prepayment and other receivables	(146)	(28)
Due from insurance operations' fund	3,615	(4,516)
Statutory deposit	(23)	(28)
Accruals and other payables	24	(89)
	<u>145</u>	<u>86</u>
Net cash from operating activities	<u>145</u>	<u>86</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>145</b>	<b>86</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>29,373</b>	<b>42,535</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b><u>29,518</u></b>	<b><u>42,621</u></b>
<b>MAJOR NON-CASH TRANSACTIONS</b>		
Change in fair value of available for sale investments	<u>2,441</u>	<u>(99)</u>

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Chief Executive Officer

The accompanying notes 1 to 11 form part of these interim condensed financial statements.

## 1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi IAIC Cooperative Insurance Company (“the Company”) is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry’s Resolution number 112/K dated 29 Rabi Al-Thani (corresponding to 16 May 2007). The Company is registered in Jeddah under Commercial Registration No. 4030169661 dated 6 Jamad Al-Awal 1428H (corresponding to 23 May 2007). The Registered Office address of the Company is Al-Amir Muhammed bin Abdulaziz Street, Bin Hamran Center, P.O. Box 122392, Jeddah 21332, Kingdom of Saudi Arabia. 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 market on 23 May 2007. The Company started its operations on 1 January 2008. The Company is fully owned by the general public and Saudi shareholders.

In 2010, the Company entered into an agreement with Islamic Arab Insurance Company BSC (“the Seller”) pursuant to which it acquired the Seller’s insurance operations in the Kingdom of Saudi Arabia, effective from 1 October 2009, at a goodwill amount of SR 7,140 thousands, as approved by Saudi Arabian Monetary Agency (“SAMA”), along with related insurance assets and liabilities of an equivalent amount (SR 30,075 thousands). The portfolio valuation date, for the purpose of the transfer, was 31 December 2008.

Furthermore, no payment in respect of goodwill has been made till 31 March 2012. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and also subject to SAMA approval. In case the Company is not able to pay the goodwill before the end of 2015, the goodwill will be set off against the amount payable in this regard and as such no impairment testing of goodwill has been performed by the management.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2a Basis of presentation

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 period ended 31 March 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.

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

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company  
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
 At 31 March 2012

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2a Basis of presentation (continued)**

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Shareholders	90%
Policyholders	10%
	100%
	100%

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.

**2b New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company**

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

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

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

**2c Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective date</i>
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company  
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2012

**3 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS**

	<i>31 March</i> <i>2012</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2011</i> <i>(Audited)</i> <i>SR'000</i>
<b>a) Cash and cash equivalents</b>		
<i>Insurance Operations</i>		
Cash on hand and at banks	<u>43,500</u>	<u>43,560</u>
<i>Shareholders' Operations</i>		
Cash at banks	23,889	13,758
Money market funds	<u>5,629</u>	<u>15,615</u>
	<u>29,518</u>	<u>29,373</u>
<b>b) Term deposits</b>		
<i>Insurance Operations</i>		
Term deposits	<u>23,993</u>	<u>23,993</u>
<i>Shareholders' Operations</i>		
Term deposits	<u>10,000</u>	<u>10,000</u>

Term deposits of insurance operations include an amount of SR 3,750 thousand (2011: SR 3,750 thousand) being the carrying value of the host contract in respect of a structured deposit. The deposit is 100% principal protected and the maturity date is 5 July 2012. The return on the deposit is linked to a basket of different currencies and the characteristics of this embedded derivative are not closely related to the host contract. The fair value of the embedded derivative as at 31 March 2012 is negative and immaterial in value. However, as the deposit is 100% principal protected, it will have no impact on the financial statements of the Company.

**4 PREMIUM RECEIVABLES, NET**

	<i>31 March</i> <i>2012</i> <i>(Unaudited)</i> <i>SR'000</i>	<i>31 December</i> <i>2011</i> <i>(Audited)</i> <i>SR'000</i>
Due from policyholders	61,170	52,676
Due from policy holders – related parties	14,203	8,648
Provision for doubtful debts	<u>(20,444)</u>	<u>(21,674)</u>
	<u>54,929</u>	<u>39,650</u>

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 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2012

5 INVESTMENTS

a) FVIS investments

*Insurance operations*

Movements in FVIS investments is as follows:

	<i>Three-month Period ended 31 March 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	3,077	8,097
Disposals during the period/year	-	(5,107)
Gain on disposal of investments	-	54
Changes in fair value of investments	12	33
	<u>3,089</u>	<u>3,077</u>

*Shareholders' operations*

Movements in FVIS investments is as follows:

	<i>Three-month Period ended 31 March 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	3,269	3,257
Changes in fair value of investments	521	12
	<u>3,790</u>	<u>3,269</u>

b) Held to maturity investments

*Insurance operations*

Movements in investments held to maturity is as follows:

	<i>Three-month Period ended 31 March 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	13,697	10,000
Purchases during the period/year	1,998	3,697
	<u>15,695</u>	<u>13,697</u>

The fair values of held to maturity investments are not expected to be materially different from their book values.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company  
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 31 March 2012

5 INVESTMENTS (continued)

b) Held to maturity investments (continued)

*Shareholders' operations*

Movements in investments held to maturity are as follows:

	<i>Three-month Period ended 31 March 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	8,722	4,980
Purchases during the period/year	-	3,742
Balance at the end of the period/year	<u>8,722</u>	<u>8,722</u>

The fair values of held to maturity investments are not expected to be materially different from their book values.

c) Available for sale investments

*Shareholders' operations*

Movements in available for sale investments are as follows:

	<i>Quoted securities SR'000</i>	<i>Unquoted securities SR'000</i>	<i>Total SR'000</i>
<i>Three-month period ended 31 March 2012 (Unaudited)</i>			
Balance at the beginning of the period	18,462	1,923	20,385
Changes in fair value of investments	2,441	-	2,441
Balance at the end of the period	<u>20,903</u>	<u>1,923</u>	<u>22,826</u>
<i>Year ended 31 December 2011 (Audited)</i>			
Balance at the beginning of the year	18,209	1,923	20,132
Changes in fair value of investments	253	-	253
Balance at the end of the year	<u>18,462</u>	<u>1,923</u>	<u>20,385</u>

Available for sale investments, having a carrying value of SR 22,826 thousand (2011: SR 20,385 thousand) have been measured at fair value, except of SR 1,923 thousand (2011: SR 1,923 thousand) which has been measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.



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At 31 March 2012

**6 ZAKAT**

The Zakat payable by the Company has been calculated based on the best estimates of the management.

Movement in Zakat payable during the three month period ended 31 March 2012 and for the year ended 31 December 2011 are as follows:

	<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	2,211	1,773
Charge for the period/year	450	1,800
Paid during the period/year	-	(1,362)
	<hr/>	<hr/>
Balance at the end of the period/year	<u>2,661</u>	<u>2,211</u>

**Zakat status**

The Company has filed its zakat declarations for the period from 16 May 2007 to 31 December 2008 and for the years ended 31 December 2009 and 2010 and obtained restricted zakat certificates.

The Department of Zakat and Income Tax (“DZIT”) raised assessment for the period from 16 May 2007 to 31 December 2008 and demanded additional zakat liability of SR 619 thousands. The Company filed an objection against this demand and is confident of a favourable outcome. Zakat assessments for years ended 31 December 2009 and 2010 have not yet been raised.

**7 RELATED PARTY TRANSACTIONS AND BALANCES**

The following are the details of major related party transactions during the period.

<i>Related party</i>	<i>Nature of transaction</i>	<u><i>Amount of transaction</i></u>	
		<i>31 March 2012 (Unaudited) SR'000</i>	<i>31 March 2011 (Unaudited) SR'000</i>
<b>a) Insurance Operations</b>			
Islamic Arab Insurance Company (B.S.C.) – (an affiliate)	Salvage and premiums collection on behalf of the Company	-	3
<b>b) Shareholders</b>			
Senior executives	Remunerations	457	456
Board of directors	Remunerations	20	25
Audit committee	Remunerations	20	-

Terms of transactions with related parties are approved by the management of the Company.

The period end balances of transactions with related parties are disclosed in the interim statement of financial position.

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 At 31 March 2012

**8 SEGMENTAL INFORMATION**

All the insurance operations of the Company are carried out in the Kingdom of Saudi Arabia. For management purposes, the operations are monitored in two major lines of business. Segment results do not include general and administration expenses.

Segment assets do not include cash and cash equivalents, term deposits, net premiums receivable, reinsurance receivable, prepayments and other receivables, amount due from a related party, investments and furniture, fittings and office equipment.

Segment liabilities do not include policyholders' claims, reinsurance payables, employees' terminal benefits, other payables and due to shareholders' fund.

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:

<b>For the three-month period ended 31 March 2012</b>	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
Gross premium written	14,469	60,107	4,498	79,074
Less: Reinsurance premiums ceded	(5,780)	-	(3,410)	(9,190)
Less: Excess of loss premiums	-	(347)	(353)	(700)
Net premium written	8,689	59,760	735	69,184
Changes in net unearned premiums	291	(20,303)	(52)	(20,064)
Net premiums earned	8,980	39,457	683	49,120
Net reinsurance commissions earned	-	-	816	816
Net revenue	8,980	39,457	1,499	49,936
Gross claims paid	12,803	35,080	799	48,682
Less: Reinsurers share	(6,408)	(57)	(255)	(6,720)
Net claims paid	6,395	35,023	544	41,962
Changes in outstanding claims	69	(3,797)	(428)	(4,156)
Net claims incurred	6,464	31,226	116	37,806
Policy acquisition costs	889	3,994	225	5,108
Other operating expenses	1,111	599	86	1,796
Net costs and expenses	8,464	35,819	427	44,710
Net results of insurance operations	516	3,638	1,072	5,226
Unallocated expenses				(9,330)
Unallocated other income				210
Investment income				318
Deficit from insurance operations				(3,576)

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company  
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 At 31 March 2012

8 SEGMENTAL INFORMATION (continued)

	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
<b>As at 31 March 2012</b>				
<b>Insurance operations' assets</b>				
Reinsurer's share of unearned premiums	10,024	2	4,846	14,872
Reinsurer's share of outstanding claims	8,571	46	5,774	14,391
Deferred policy acquisition costs	1,321	6,783	467	8,571
Unallocated assets				169,761
<b>Total insurance operations' assets</b>				<b>207,595</b>
<b>Insurance operations' liabilities</b>				
Unearned premium	25,761	91,273	6,455	123,489
Outstanding claims	17,154	15,341	9,457	41,952
Unearned commission income	-	-	1,369	1,369
Provision for premium deficiency	-	-	63	63
Unallocated liabilities and surplus				40,722
<b>Total insurance operations' liabilities and surplus</b>				<b>207,595</b>
<b>For the three-month period ended 31 March 2011</b>				
Gross premium written	17,262	27,396	6,173	50,831
Less: Reinsurance premiums ceded	(6,751)	-	(4,293)	(11,044)
Less: Excess of loss premiums	-	(202)	(258)	(460)
Net premium written	10,511	27,194	1,622	39,327
Changes in net unearned premiums	(2,996)	(10,511)	(531)	(14,038)
Net premiums earned	7,515	16,683	1,091	25,289
Net reinsurance commissions earned	-	-	1,019	1,019
Net revenue	7,515	16,683	2,110	26,308
Gross claims paid	8,482	18,567	11,213	38,262
Less: Reinsurers share	(4,190)	-	(9,437)	(13,627)
Net claims paid	4,292	18,567	1,776	24,635
Changes in outstanding claims	(50)	(10,122)	(2,442)	(12,614)
Net claims incurred	4,242	8,445	(666)	12,021
Policy acquisition costs	621	468	296	1,385
Other operating expenses	1,187	198	101	1,486
Net costs and expenses	6,050	9,111	(269)	14,892
Net results of insurance operations	1,465	7,572	2,379	11,416
Unallocated expenses				(6,455)
Investment income				220
Surplus from insurance operations				5,181

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 At 31 March 2012

**8 SEGMENTAL INFORMATION (continued)**

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<b>As at 31 December 2011</b>				
Reinsurer's share of unearned premiums	9,774	7	4,277	14,058
Reinsurer's share of outstanding claims	8,514	419	6,195	15,128
Deferred policy acquisition costs	1,622	8,247	240	10,109
Unallocated assets				148,699
Total insurance operations' assets				<u>187,994</u>
<b>Insurance operations' liabilities</b>				
Unearned premium	25,801	70,975	5,835	102,611
Outstanding claims	17,028	19,510	10,307	46,845
Unearned commission income	-	-	1,182	1,182
Provision for premium deficiency	-	-	63	63
Unallocated liabilities and surplus				37,293
Total insurance operations' liabilities and surplus				<u>187,994</u>

**9 CAPITAL COMMITMENTS**

At 31 March 2012, the Company had outstanding capital commitments amounting to SR 0.5 million (31 December 2011: SR 0.15 million).

**10 CONTINGENT LIABILITIES**

One of the Company's bankers has given guarantees to non-government parties amounting to SR 0.40 million (31 December 2011: SR 0.40 million) in respect of motor insurance.

**11 BOARD OF DIRECTORS' APPROVAL**

These financial statements have been approved by the Board of Directors on 21 April 2012.