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**THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE  
AND REINSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**

**FOR THE SIX MONTH PERIOD  
ENDED 30 JUNE 2012**

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

Unaudited Interim Condensed Financial Statements and Independent Auditors' Limited Review Report  
For the Six Month Period Ended 30 June 2012

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KPMG Al Fozan & Al Sadhan



# **LIMITED REVIEW REPORT**

## **TO THE SHAREHOLDERS OF THE MEDITERRANEAN AND GULF COOPERATIVE INSURANCE AND REINSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)**

### **SCOPE OF REVIEW:**

We have reviewed the accompanying interim statement of financial position of The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2012, the related interim statements of insurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the three month and six month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our 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 persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### **CONCLUSION:**

Based on our 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.

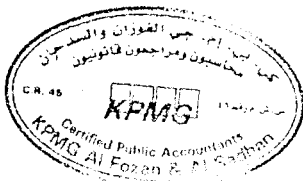
### **EMPHASIS OF A MATTER:**

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

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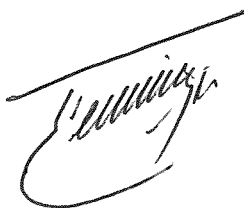
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

(Amounts in SR)

	<i>Notes</i>	<b>30 June 2012 (Unaudited)</b>	<b>31 December 2011 (Audited)</b>
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	4	117,247,115	422,889,063
Time deposits	5	136,884,684	136,547,434
Premiums and reinsurance balances receivable	6	1,362,054,140	877,175,280
Due from related parties	10	37,663,713	40,303,669
Due from shareholders operations		47,572,127	-
Reinsurers' share of outstanding claims		571,164,710	538,036,714
Investments	7a	109,630,567	146,944,179
Prepayments and other assets		66,548,623	18,318,919
Reinsurers' share of unearned premiums		513,331,510	453,129,453
Deferred policy acquisition costs		42,664,786	30,087,953
Property and equipment, net		36,472,032	37,153,446
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>3,041,234,007</b>	<b>2,700,586,110</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	4	248,516,226	256,817,745
Time deposits	5	65,439,615	65,034,394
Due from insurance operations		-	101,913,673
Investment in an associate	8	14,000,000	14,000,000
Investments	7b	194,626,230	191,233,208
Prepayments and other assets		2,746,348	2,452,987
Land		30,000,000	30,000,000
Statutory deposit	9	80,000,000	80,000,000
Goodwill		480,000,000	480,000,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>1,115,328,419</b>	<b>1,221,452,007</b>
<b>TOTAL ASSETS</b>		<b>4,156,562,426</b>	<b>3,922,038,117</b>




The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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

STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2012

(Amounts in SR)

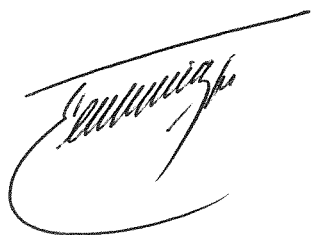
	Notes	30 June 2012 (Unaudited)	31 December 2011 (Audited)
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
Gross outstanding claims		849,181,745	753,689,507
Accounts and commission payable		75,715,465	53,674,671
Reinsurance balances payable		356,134,098	272,591,787
Due to shareholders' operations		-	101,913,673
Accrued expenses and other liabilities		74,548,309	76,792,297
Surplus distribution payable		68,227,606	64,736,873
Unearned reinsurance commission		44,555,772	45,201,930
Gross unearned premiums		1,557,205,949	1,317,710,684
Other reserves		15,000,000	14,000,000
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>3,040,568,944</b>	<b>2,700,311,422</b>
<b>INSURANCE OPERATIONS' SURPLUS</b>			
Cumulative change in fair values of available for sale investments	7a	665,063	274,688
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>		<b>3,041,234,007</b>	<b>2,700,586,110</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
Accrued expenses and other liabilities		231,000	209,500
Provision for zakat and income tax		23,754,416	47,737,387
Due to insurance operations		47,572,127	-
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>71,557,543</b>	<b>47,946,887</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		800,000,000	800,000,000
Statutory reserve		105,334,781	105,334,781
Retained earnings		130,922,116	261,339,125
Cumulative change in fair values of available for sale investments	7b	7,513,979	6,831,214
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,043,770,876</b>	<b>1,173,505,120</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,115,328,419</b>	<b>1,221,452,007</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS, AND SHAREHOLDERS' EQUITY</b>		<b>4,156,562,426</b>	<b>3,922,038,117</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS  
(UNAUDITED)  
(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Gross premiums written	733,864,779	604,411,926	1,604,526,955	1,495,262,870
Less: Reinsurance premiums ceded	(195,488,226)	(122,878,065)	(393,390,440)	(402,268,042)
Excess of loss premiums	(19,348,926)	(14,289,567)	(38,697,852)	(31,311,507)
<b>NET PREMIUMS WRITTEN</b>	<b>519,027,627</b>	<b>467,244,294</b>	<b>1,172,438,663</b>	<b>1,061,683,321</b>
Change in unearned premiums, net	(3,558,130)	77,612,798	(179,293,208)	(161,882,856)
Change in other reserves	(500,000)	(500,000)	(1,000,000)	(1,500,000)
<b>NET PREMIUMS EARNED</b>	<b>514,969,497</b>	<b>544,357,092</b>	<b>992,145,455</b>	<b>898,300,465</b>
Gross claims paid and other expenses	(486,755,041)	(469,078,389)	(984,488,253)	(899,954,696)
Reinsurers' share of gross claims paid	96,551,600	57,199,263	189,552,843	197,000,268
Movement in outstanding claims, net	(89,878,387)	5,251,394	(62,364,242)	40,655,125
<b>NET CLAIMS INCURRED</b>	<b>(480,081,828)</b>	<b>(406,627,732)</b>	<b>(857,299,652)</b>	<b>(662,299,303)</b>
Policy acquisition costs	(26,372,582)	(29,516,530)	(50,969,007)	(61,572,011)
Reinsurance commission income	19,222,805	20,044,301	43,693,856	50,176,049
<b>NET UNDERWRITING RESULT</b>	<b>27,737,892</b>	<b>128,257,131</b>	<b>127,570,652</b>	<b>224,605,200</b>
General and administrative expenses	(53,617,884)	(77,896,195)	(110,222,526)	(178,066,093)
Special commission income	1,446,389	278,938	2,743,678	560,188
Other income	7,466,358	5,347,226	14,815,528	14,218,721
<b>INSURANCE OPERATIONS' SURPLUS</b>	<b>(16,967,245)</b>	<b>55,987,100</b>	<b>34,907,332</b>	<b>61,318,016</b>
Shareholders' appropriation from insurance operations' surplus	15,270,520	(50,388,390)	(31,416,599)	(55,186,214)
<b>ACCUMULATED SURPLUS AT THE END OF THE PERIOD</b>	<b>(1,696,725)</b>	<b>5,598,710</b>	<b>3,490,733</b>	<b>6,131,802</b>




The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

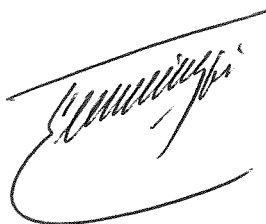

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

(UNAUDITED)

(Amounts in SR)

		<i><u>For the three month period ended</u></i>		<i><u>For the six month period ended</u></i>	
	<i><u>Note</u></i>	<i><u>30 June</u></i> <i><u>2012</u></i>	<i><u>30 June</u></i> <i><u>2011</u></i>	<i><u>30 June</u></i> <i><u>2012</u></i>	<i><u>30 June</u></i> <i><u>2011</u></i>
<b>INCOME</b>					
Shareholders' appropriation from insurance operations' surplus		(15,270,520)	50,388,390	31,416,599	55,186,214
Special commission income		3,545,650	3,669,327	7,162,357	7,024,703
Realised gains on sale of available for sale investments		6,803	146,122	220,057	212,648
Dividend income on available for sale investments		1,491,653	1,493,034	1,599,037	1,598,177
		(10,226,414)	55,696,873	40,398,050	64,021,742
<b>EXPENSES</b>					
General and administrative		(713,208)	(640,096)	(1,733,558)	(1,630,423)
<b>NET INCOME FOR THE PERIOD</b>		<b>(10,939,622)</b>	<b>55,056,777</b>	<b>38,664,492</b>	<b>62,391,319</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD</b>					
	12	(0.137)	0.688	0.483	0.780

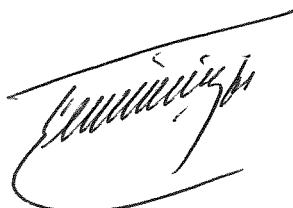
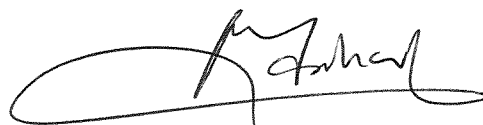
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company  
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

(UNAUDITED)

(Amounts in SR)

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
<b>NET INCOME FOR THE PERIOD</b>	(10,939,622)	55,056,777	38,664,492	62,391,319
<b>OTHER COMPREHENSIVE (EXPENSES)/ INCOME:</b>				
Change in fair values of available for sale investments	(3,190,287)	842,708	682,765	330,467
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>(14,129,909)</u>	<u>55,899,485</u>	<u>39,347,257</u>	<u>62,721,786</u>



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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the Six Month Period Ended 30 June 2012

(Amounts in SR)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Cumulative change in fair values of available for sale investments</i>	<i>Total</i>
<b>Balance at 1 January 2012</b>	<b><u>800,000,000</u></b>	<b><u>105,334,781</u></b>	<b><u>261,339,125</u></b>	<b><u>6,831,214</u></b>	<b><u>1,173,505,120</u></b>
Net income for the period	-	-	38,664,492	-	38,664,492
Other comprehensive income for the period	-	-	-	682,765	682,765
Total comprehensive income for the period	-	-	38,664,492	682,765	39,347,257
Zakat and income tax	-	-	(9,081,501)	-	(9,081,501)
Dividends paid (note 13)	-	-	(160,000,000)	-	(160,000,000)
<b>Balance at 30 June 2012</b>	<b><u>800,000,000</u></b>	<b><u>105,334,781</u></b>	<b><u>130,922,116</u></b>	<b><u>7,513,979</u></b>	<b><u>1,043,770,876</u></b>
<b>Balance at 1 January 2011</b>	<b><u>800,000,000</u></b>	<b><u>63,972,748</u></b>	<b><u>195,890,992</u></b>	<b><u>8,749,430</u></b>	<b><u>1,068,613,170</u></b>
Net income for the period	-	-	62,391,319	-	62,391,319
Other comprehensive income for the period	-	-	-	330,467	330,467
Total comprehensive income for the period	-	-	62,391,319	330,467	62,721,786
Zakat and income tax	-	-	(12,078,561)	-	(12,078,561)
Dividends paid (note 13)	-	-	(100,000,000)	-	(100,000,000)
<b>Balance at 30 June 2011</b>	<b><u>800,000,000</u></b>	<b><u>63,972,748</u></b>	<b><u>146,203,750</u></b>	<b><u>9,079,897</u></b>	<b><u>1,019,256,395</u></b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For The Six Month Period Ended 30 June 2012

(Amounts in SR)

	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Insurance operations' surplus after shareholders' appropriation	3,490,733	6,131,802
<i>Adjustments to reconcile insurance operation' surplus after shareholders' appropriation to net cash used in operating activities:</i>		
Depreciation	5,978,012	4,529,395
Provision for doubtful debts	3,000,000	48,500,000
Gain on sale of available for sale investment	(296,013)	-
Special commission income	(2,743,678)	(560,188)
Gain from sale of property and equipment, net	(99,171)	(121,208)
Reinsurers' share of unearned premiums	(60,202,057)	(20,671,129)
Deferred policy acquisition costs	(12,576,833)	(7,485,652)
Gross unearned premiums	239,495,265	182,553,985
Unearned reinsurance commission	(646,158)	(4,203,520)
<i>Cash from operations</i>	<b>175,400,100</b>	<b>208,673,485</b>
<i>Changes in operating assets and liabilities:</i>		
Premiums and reinsurance balances receivable	(487,878,860)	(132,749,881)
Reinsurers' share of outstanding claims	(33,127,996)	(73,913,997)
Prepayments and other assets	(48,229,704)	(53,279,641)
Due from related parties	2,639,956	209,542,084
Due to / from shareholders' operations, net	(149,485,800)	(322,848,772)
Accounts and commissions payable	22,040,794	(67,463,669)
Reinsurance balances payable	83,542,311	130,957,643
Accrued expenses and other liabilities	(2,243,988)	(14,351,355)
Gross outstanding claims	95,492,238	33,258,872
Other reserves	1,000,000	1,500,000
<b>Net cash used in operating activities</b>	<b>(340,850,949)</b>	<b>(80,675,231)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of available for sale investments	38,000,000	-
Purchase of property and equipment	(5,301,227)	(7,455,567)
Proceeds from sale of property and equipment	103,800	355,339
Time deposits, net	(337,250)	(85,276,230)
Special commission income	2,743,678	560,188
<b>Net cash from / (used in) investing activities</b>	<b>35,209,001</b>	<b>(91,816,270)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(305,641,948)</b>	<b>(172,491,501)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>422,889,063</b>	<b>433,332,901</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>117,247,115</b>	<b>260,841,400</b>
<b><i>Non-cash transaction:</i></b>		
Change in fair values of available for sale investments	390,375	485,175

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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

INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For The Six Month Period Ended 30 June 2012

(Amounts in SR)

	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	38,664,492	62,391,319
<i>Adjustments for:</i>		
Special commission income	(7,162,357)	(7,024,703)
Dividend income on available for sale investments	(1,599,037)	(1,598,177)
Realised gains on sale of available for sale investments	(220,057)	(212,648)
Cash flow from operation	29,683,041	53,555,791
<i>Changes in operating assets and liabilities:</i>		
Prepayments and other assets	(293,361)	(451,108)
Due from insurance operations, net	149,485,800	308,848,772
Accrued expenses and other liabilities	21,500	(614,500)
Due to/from a shareholder, net	-	(197,259,686)
Zakat and income tax paid	(33,064,472)	(22,875,647)
<b>Net cash from operating activities</b>	<b>145,832,508</b>	<b>141,203,622</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Time deposits, net	(405,221)	-
Purchase of available for sale investments	(3,000,000)	(50,000,000)
Proceeds from sale of available for sale investments	509,800	8,530,637
Special commission income	7,162,357	7,024,703
Dividend income on available for sale investments	1,599,037	1,598,177
<b>Net cash from / (used in) investing activities</b>	<b>5,865,973</b>	<b>(32,846,483)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(160,000,000)	(100,000,000)
<b>Net cash used in financing activities</b>	<b>(160,000,000)</b>	<b>(100,000,000)</b>
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,301,519)</b>	<b>8,357,139</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>256,817,745</b>	<b>300,758,288</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>248,516,226</b>	<b>309,115,427</b>
<i>Non-cash transactions:</i>		
Change in fair values of available for sale investments	682,765	330,467
Investment transferred from insurance operation	-	14,000,000

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued) 30 JUNE 2012

### 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231925 dated 8 Rabi Thani 1428H (corresponding to 26 April 2007). The registered office address of the Company is P.O.Box: 2302, Riyadh 11451, Kingdom of Saudi Arabia. The objectives of the Company are to transact cooperative insurance and reinsurance business and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Arabian Stock Exchange (Tadawul) on 16 April 2007.

### 2. BASIS OF PREPARATION

#### *Basis of measurement*

The interim condensed financial statements have been prepared on a historic cost basis except for the measurement at fair value of available for sale investments and investment in an associate which is accounted for under the equity method.

#### *Statement of compliance*

The accompanying interim condensed financial statements for the six month period ended 30 June 2012 are prepared in accordance with IAS 34 – Interim Financial Reporting.

The accompanying interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2011.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. The interim results may not be indicative of the Company's annual results.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND AMENDMENTS TO STANDARDS

#### *Significant accounting policies*

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011. In addition, accounting policies applicable to significant transactions and account balances arising during the year are set out below:

#### *Investment in an associate*

Associates are enterprises in which the Company generally holds 20% to 50% of the voting power and/or over which it exercises significant influence. Investments in associates are carried in the interim statement of financial position at cost, plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of individual investments.

#### *New standards, amendments to standards and interpretations*

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

#### *- IAS 24 Related Party Disclosures (revised 2009)*

The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government related entities.

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

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

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

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

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

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

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

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

4. CASH AND CASH EQUIVALENTS

	30 June 2012 (Unaudited)		31 December 2011 (Audited)	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Cash on hand and at banks	94,747,115	14,853,726	249,859,507	17,471,536
Short term time deposits	22,500,000	233,662,500	173,029,556	239,346,209
	<u>117,247,115</u>	<u>248,516,226</u>	<u>422,889,063</u>	<u>256,817,745</u>

Cash at banks and short term time deposits are placed with counterparties who have credit ratings equivalent to A- to B ratings under Standard and Poor's and Moody's ratings methodology.

Short term time deposits are placed with local and international banks with an original maturity of less than three months from the date of acquisition and earned special commission income at an average rate of 4.1% per annum (31 December 2011: 3.49%).

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

5. TIME DEPOSITS

Time deposits are placed with counterparties that have credit ratings equivalent to A+ to A- ratings under Standard and Poor's and Moody's ratings methodology.

Time deposits are placed with local and international banks with a maturity of more than three months from the date of original acquisition and earned special commission income at an average rate of 1.4% per annum (31 December 2011: 1.8%).

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

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**6. PREMIUMS AND REINSURANCE BALANCES RECEIVABLE**

Premiums and reinsurance balances receivable are comprised of the following:-

	<i>30 June 2012 (Unaudited) SR</i>	<i>31 December 2011 (Audited) SR</i>
Premiums receivable	1,318,274,956	845,321,819
Reinsurance balances receivable	198,280,716	183,354,993
Total premiums and reinsurance balances receivable	1,516,555,672	1,028,676,812
Less: Provision for doubtful debts	(154,501,532)	(151,501,532)
<b>Premiums and reinsurance balances receivable</b>	<b>1,362,054,140</b>	<b>877,175,280</b>

**7. INVESTMENTS**

Investments are classified as set out below:

*(a) Insurance Operations – Available for sale investments*

	<i>30 June 2012 (Unaudited) SR</i>	<i>31 December 2011 (Audited) SR</i>
Mutual funds	71,475,817	109,179,804
Bonds	38,154,750	37,764,375
<b>Total available for sale investments</b>	<b>109,630,567</b>	<b>146,944,179</b>

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

	<i>30 June 2012 (Unaudited) SR</i>	<i>31 December 2011 (Audited) SR</i>
At the beginning of the period/ year	146,944,179	36,883,950
Purchased during the period/year	-	109,179,803
Sold during the period/year	(37,703,987)	-
	109,240,192	146,063,753
Net change in fair values	390,375	880,426
At the end of the period/year	109,630,567	146,944,179

The cumulative change in fair values of available for sale investments for insurance operations amounting to SR 665,063 (31 December 2011: SR 274,688) is presented within insurance operations' surplus' in the interim statement of financial position.

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7. INVESTMENTS (Continued)

(b) Shareholders' Operations – Available for sale investments

	30 June 2012 (Unaudited) SR	31 December 2011 (Audited) SR
Mutual funds	75,332,342	74,860,497
Bonds	61,068,438	61,421,811
Sukuks	39,475,450	36,200,900
Equities	18,750,000	18,750,000
<b>Total available for sale investments</b>	<b>194,626,230</b>	<b>191,233,208</b>

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

	30 June 2012 (Unaudited) SR	31 December 2011 (Audited) SR
At the beginning of the period/ year	191,233,208	148,455,159
Purchased during the period/year	3,000,000	60,000,000
Sold during the period/year	(289,743)	(15,303,735)
	<b>193,943,465</b>	<b>193,151,424</b>
Net change in fair values	<b>682,765</b>	<b>(1,918,216)</b>
At the end of the period/year	<b>194,626,230</b>	<b>191,233,208</b>

The cumulative change in fair values of available for sale investments for shareholders' operations amounting to SR 7,513,979 (31 December 2011: SR 6,831,214) is presented within shareholders' equity in the interim statement of financial position.

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**8. INVESTMENT IN AN ASSOCIATE**

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

**9. STATUTORY DEPOSIT**

Statutory deposit represents 10% of the paid up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency ("SAMA").

**10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

Nature of transactions	<i>Amounts of transactions for the six month period ended</i>		<i>Balance as at</i>	
	<i>June 2012 (Unaudited) SR</i>	<i>June 2011 (Unaudited) SR</i>	<i>30 June 2012 (Unaudited) SR</i>	<i>31 December 2011 (Audited) SR</i>
- Due from a shareholder, net – MEDGULF (B.S.C.) (Founding shareholders)	10,582,364	193,760	20,101,098	9,518,734
- Expenses paid on behalf of other affiliated companies, net	(13,222,230)	16,761,349	17,562,615	30,784,935
<b>TOTAL</b>			<b>37,663,713</b>	<b>40,303,669</b>
- Current accounts and time deposits – (The Saudi Investment Bank, Founding shareholders)	936,983	50,000,000	85,631,525	84,694,542
- Commission income on time deposits – (The Saudi Investment Bank, Founding shareholders)	374,211	349,992	179,340	141,050
- Gross premiums written	31,125,356	13,943,518	23,077,569	7,088,681
- Claims incurred	16,017,107	7,118,259	(422,463)	(89,429)
- Premiums ceded	(37,761,880)	10,690,139	(46,246,615)	(12,484,735)
- Brokerage commission	11,113,583	9,369,345	1,358,105	(12,471,733)



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10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Key management personnel's remuneration

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

	<i>For the Six month ended</i>	
	<i>30 June 2012</i>	<i>30 June 2011</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>(SR)</i>	<i>(SR)</i>
Short term benefits	9,535,962	11,198,115
End of service benefits	170,477	134,482
	<u>9,706,439</u>	<u>11,332,597</u>

11. SEGMENTAL INFORMATION

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

Segment results do not include allocation of general and administrative expenses, special commission income and other income to operating segments.

Segment assets do not include allocation of cash and cash equivalents, time deposits, investments, premiums and reinsurance balances receivable, prepayments and other assets, due from related parties, and property and equipment, net, to the operating segments.

Segment liabilities do not include allocation of accounts and commission payable, reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations, surplus distribution payable and other reserves to operating segments.

Operating segments

*For the six month period ended  
June 2012 (Unaudited )*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<i>Insurance operations</i>				
Gross premiums written	1,185,312,335	150,645,815	268,568,805	1,604,526,955
Net premiums written	971,295,668	144,383,118	56,759,877	1,172,438,663
Net premiums earned	860,228,358	91,143,825	40,773,272	992,145,455
Net claims incurred	(773,639,954)	(77,906,600)	(5,753,098)	(857,299,652)
Policy acquisition costs	(31,380,185)	(8,464,888)	(11,123,934)	(50,969,007)
Reinsurance commission income	13,343,230	869,642	29,480,984	43,693,856
Net underwriting result	68,551,449	5,641,979	53,377,224	127,570,652
General and administrative expenses				(110,222,526)
Special commission income and other income				17,559,206
Insurance operations' surplus				<u>34,907,332</u>

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(UNAUDITED) (continued)

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11. SEGMENTAL INFORMATION (continued)

Operating segments (Continued)

*For the six month period ended  
June 2011 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>Insurance operations</b>				
Gross premiums written	1,067,642,317	131,706,961	295,913,592	1,495,262,870
Net premiums written	878,077,989	129,790,050	53,815,282	1,061,683,321
Net premiums earned	730,839,061	122,812,206	44,649,198	898,300,465
Net claims incurred	(569,627,266)	(84,969,566)	(7,702,471)	(662,299,303)
Policy acquisition costs	(37,320,982)	(14,050,746)	(10,200,283)	(61,572,011)
Reinsurance commission income	15,803,763	(19,638)	34,391,924	50,176,049
Net underwriting result	139,694,576	23,772,256	61,138,368	224,605,200
General and administrative expenses				(178,066,093)
Special commission income and other income				14,778,909
Insurance operations' surplus				61,318,016

*For the three month period ended  
June 2012 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>Insurance operations</b>				
Gross premiums written	545,877,686	54,329,108	133,657,985	733,864,779
Net premiums written	445,684,212	52,310,534	21,032,881	519,027,627
Net premiums earned	451,605,538	45,224,791	18,139,168	514,969,497
Net claims incurred	(439,609,284)	(37,346,003)	(3,126,541)	(480,081,828)
Policy acquisition costs	(16,364,312)	(4,465,475)	(5,542,795)	(26,372,582)
Reinsurance commission income	6,146,576	508,589	12,567,640	19,222,805
Net underwriting result	1,778,518	3,921,902	22,037,472	27,737,892
General and administrative expenses				(53,617,884)
Special commission income and other income				8,912,747
Insurance operations' surplus				(16,967,245)

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11. SEGMENTAL INFORMATION (continued)

Operating segments (Continued)

*For the three month period ended  
June 2011 (Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>Insurance operations</b>				
Gross premiums written	414,897,278	40,012,786	149,501,862	604,411,926
Net premiums written	404,713,323	39,010,660	23,520,311	467,244,294
Net premiums earned	461,220,175	60,591,684	22,545,233	544,357,092
Net claims incurred	(366,238,949)	(40,125,381)	(263,402)	(406,627,732)
Policy acquisition costs	(17,224,878)	(6,827,295)	(5,464,357)	(29,516,530)
Reinsurance commission income	2,632,163	(430,532)	17,842,670	20,044,301
Net underwriting result	80,388,511	13,208,476	34,660,144	128,257,131
General and administrative expenses				(77,896,195)
Special commission income and other income				5,626,164
Insurance operations' surplus				55,987,100

*As at 30 June 2012  
(Unaudited)*

	<i>Medical SR</i>	<i>Motor SR</i>	<i>Others SR</i>	<i>Total SR</i>
<b>Insurance operations' assets</b>				
Reinsurers' share of unearned premiums	154,689,644	3,469,264	355,172,602	513,331,510
Reinsurers' share of outstanding claims	244,655,022	4,689,741	321,819,947	571,164,710
Deferred policy acquisition costs	19,263,503	7,483,766	15,917,517	42,664,786
Unallocated assets				1,914,073,001
				3,041,234,007
<b>Insurance operations' liabilities</b>				
Gross unearned premiums	1,030,236,536	116,102,466	410,866,947	1,557,205,949
Unearned reinsurance commission	7,709	1,101,847	43,446,216	44,555,772
Gross outstanding claims	424,462,705	86,310,614	338,408,426	849,181,745
Unallocated liabilities				590,290,541
				3,041,234,007

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11. SEGMENTAL INFORMATION (continued)

Operating segments (continued)

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

12. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the period was calculated by dividing the net income for the period by the weighted average number of shares issued and outstanding during the period amounting to 80 million shares.

13. DIVIDENDS

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

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 25 Sha'aban 1433H (15 July 2012).