

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2012**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 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 30 September 2012, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operation and comprehensive income for three-month and nine-month periods then ended and the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the nine-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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29 Dhual-Alq’ dah 1433H
15 October 2012
Jeddah, Kingdom of Saudi Arabia


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Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company


INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2012


	Notes	30 September 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3 (a)	43,478	43,560
Term deposits	3 (b)	20,243	23,993
Premium receivables, net	4	41,791	39,650
Reinsurance receivables		12,321	7,457
Deferred policy acquisition costs		2,923	10,109
Prepayments and other receivables		8,599	4,477
Amounts due from a related party	7	6,759	6,759
FVIS investments	5 (a)	3,098	3,077
Reinsurers' share of unearned premiums		12,053	14,058
Reinsurers' share of outstanding claims		13,666	15,128
Held to maturity investments	5 (b)	13,685	13,697
Furniture, fittings and office equipment		6,021	6,029
Total insurance operations' assets		184,637	187,994
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3(a)	18,327	29,373
Term deposits	3(b)	20,000	10,000
FVIS investments	5 (a)	13,506	3,269
Available for sale investments	5 (c)	8,375	20,385
Prepayments and other receivables		434	79
Due from insurance operations' fund		1,221	6,818
Held to maturity investments	5 (b)	6,737	8,722
Goodwill	1	7,140	7,140
Statutory deposit		10,732	10,643
Total shareholders' assets		86,472	96,429
TOTAL ASSETS		271,109	284,423



 Chief Financial Officer



 Chief Executive Officer



 Chairman

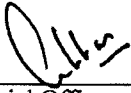
The accompanying notes 1 to 11 form part of these interim condensed financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company


INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2012

	<i>Notes</i>	<i>30 September 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Unearned premiums		101,041	102,611
Provision for premium deficiency		63	63
Unearned commission income		1,311	1,182
Outstanding claims		44,343	46,845
Policyholders' claims		7,427	8,361
Reinsurance payables		5,449	4,878
Other payables		14,322	8,193
Due to shareholders' fund		1,221	6,818
Employees' terminal benefits		6,446	6,029
		<u>181,623</u>	<u>184,980</u>
Insurance operations' surplus			
Accumulated surplus from insurance operations		3,014	3,014
		<u>184,637</u>	<u>187,994</u>
SHAREHOLDERS' LIABILITIES AND EQUITY			
Liabilities			
Accruals and other payables		1,491	2,070
Zakat provision	6	2,306	2,211
Amount due to a related party	7	50	17
Amount due to a related party in respect of goodwill	1	7,140	7,140
		<u>10,987</u>	<u>11,438</u>
Shareholders' equity			
Share capital		100,000	100,000
Accumulated losses		(25,967)	(19,748)
Available for sale investments reserve		1,452	4,739
		<u>75,485</u>	<u>84,991</u>
Total shareholders' equity		<u>75,485</u>	<u>84,991</u>
Total shareholders' liabilities and equity		<u>86,472</u>	<u>96,429</u>
TOTAL LIABILITIES, SURPLUS AND EQUITY		<u>271,109</u>	<u>284,423</u>


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 INSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the three-month and nine-month periods ended 30 September 2012

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012 (Unaudited)</i>	<i>2011 (Unaudited)</i>	<i>2012 (Unaudited)</i>	<i>2011 (Unaudited)</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenues				
Gross premiums written	40,431	52,239	171,738	172,812
Less: Reinsurance premiums ceded	(4,987)	(6,600)	(21,348)	(29,255)
Less: Excess of loss premiums	(501)	(551)	(1,752)	(2,094)
Net premiums written	<u>34,943</u>	<u>45,088</u>	<u>148,638</u>	<u>141,463</u>
Changes in net unearned premiums	13,095	(7,797)	(433)	(51,829)
Net premiums earned	<u>48,038</u>	<u>37,291</u>	<u>148,205</u>	<u>89,634</u>
Net reinsurance commissions earned	2,873	836	4,448	2,707
Net revenue	<u>50,911</u>	<u>38,127</u>	<u>152,653</u>	<u>92,341</u>
Costs and expenses				
Gross claims paid	41,387	27,272	138,828	97,500
Less: Reinsurers' share	(7,223)	(5,041)	(23,159)	(26,589)
Net claims paid	<u>34,164</u>	<u>22,231</u>	<u>115,669</u>	<u>70,911</u>
Changes in net outstanding claims	2,547	92	(1,040)	(17,686)
Net claims incurred	<u>36,711</u>	<u>22,323</u>	<u>114,629</u>	<u>53,225</u>
Policy acquisition costs	3,026	3,318	12,524	6,827
Other operating expenses	794	1,504	3,934	5,348
Net costs and expenses	<u>40,531</u>	<u>27,145</u>	<u>131,087</u>	<u>65,400</u>
Net results of insurance operations	<u>10,380</u>	<u>10,982</u>	<u>21,566</u>	<u>26,941</u>
General and administrative expenses	(10,335)	(12,528)	(31,957)	(23,830)
Other income	-	-	210	509
Investment income	309	236	924	707
Surplus/ (deficit) from insurance operations	<u>354</u>	<u>(1,310)</u>	<u>(9,257)</u>	<u>4,327</u>
Shareholders' share of insurance operations' (surplus)/ deficit	2(a) (354)	1,310	9,257	(3,763)
Surplus for the period	-	-	-	564
Accumulated surplus at the beginning of the period	<u>3,014</u>	<u>3,087</u>	<u>3,014</u>	<u>2,523</u>
Accumulated surplus at the end of the period	<u>3,014</u>	<u>3,087</u>	<u>3,014</u>	<u>3,087</u>


 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 SHAREHOLDERS' OPERATIONS

For the three-month and nine-month periods ended 30 September 2012

	Note	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>	<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>
REVENUES					
Shareholders' share of insurance operations' surplus/ (deficit)	2(a)	354	(1,310)	(9,257)	3,763
Investment income/ (loss)		356	(20)	1,029	283
Gain on sale of available for sale investments		-	-	3,602	-
Other income		66	-	66	20
Total revenues		776	(1,330)	(4,560)	4,066
EXPENSES					
General and administration		(112)	(8)	(309)	(220)
Net profit/ (loss) for the period before Zakat		664	(1,338)	(4,869)	3,846
Zakat		(450)	(450)	(1,350)	(1,350)
Net profit/ (loss) for the period		214	(1,788)	(6,219)	2,496
Weighted average number of ordinary shares outstanding (in thousands)		10,000	10,000	10,000	10,000
Basic and diluted earnings/ (loss) per share - (SR)		0.02	(0.18)	(0.62)	0.25



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 COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2012

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>	<i>2012 (Unaudited) SR'000</i>	<i>2011 (Unaudited) SR'000</i>
Net profit/ (loss) for the period	214	(1,788)	(6,219)	2,496
Change in fair value of available for sale investments	92	(937)	315	(357)
Total comprehensive income/ (loss) for the period	306	(2,725)	(5,904)	2,139



Chief Financial Officer



Chief Executive Officer



Chairman

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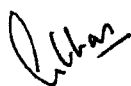
Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

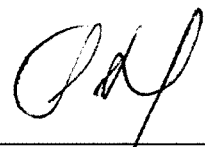
For the nine-month period ended 30 September 2012

	<i>For the nine-month period ended 30 September 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	-	(6,219)	-	(6,219)
Other comprehensive income for the period	-	-	315	315
Transfer to interim statement of shareholders' Operations (note 5c (ii))	-	-	(3,602)	(3,602)
Balance at 30 September 2012 (unaudited)	100,000	(25,967)	1,452	75,485

	<i>For the nine-month period ended 30 September 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	-	2,496	-	2,496
Other comprehensive loss for the period	-	-	(357)	(357)
Balance at 30 September 2011 (unaudited)	100,000	(19,523)	4,129	84,606



Chief Financial Officer



Chief Executive Officer



Chairman

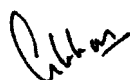
The accompanying notes 1 to 11 form part of these interim condensed financial statements.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the nine-month period ended 30 September 2012

	<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2011 (Unaudited) SR'000</i>
<i>Notes</i>		
OPERATING ACTIVITIES		
Surplus for the period from the insurance operations	-	564
Adjustments for:		
Deferred policy acquisition costs	7,186	(7,577)
Unrealized gain on FVIS investments	(21)	(68)
Amortization of held to maturity investments	12	-
Reinsurers share of unearned premiums	2,005	(4,546)
Unearned premiums	(1,570)	56,375
Unearned commission income	129	340
Depreciation	1,934	892
Employees end of service benefits, net	417	763
	<u>10,092</u>	<u>46,743</u>
Changes in operating assets and liabilities:		
Premium receivables, net	(2,141)	(21,458)
Reinsurance receivables	(4,864)	(1,389)
Prepayments and other receivables	(4,122)	(1,092)
Amount due from a related party	-	24
Reinsurers share of outstanding claims	1,462	5,464
Outstanding claims	(2,502)	(23,151)
Policyholders' claims	(934)	3,026
Reinsurance payables	571	417
Other payables	6,129	4,554
Due to shareholders' fund	(5,597)	1,953
	<u>(1,906)</u>	<u>15,091</u>
Net cash (used in)/ from operating activities		
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment	(1,926)	(543)
Purchase of FVIS investments	-	(3,750)
Purchase of investments held to maturity		(3,756)
Disposal of investments held to maturity		3,756
Disposal of term deposits	3,750	-
	<u>1,824</u>	<u>(4,293)</u>
Cash from/ (used in) investing activities		
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(82)	10,798
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	43,560	47,689
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	43,478	58,487



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 SHAREHOLDERS' CASH FLOWS

For the nine-month period ended 30 September 2012

	<i>Notes</i>	<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>	<i>Nine-month period ended 30 September 2011 (Unaudited) SR'000</i>
OPERATING ACTIVITIES			
Net (loss)/profit for the period before Zakat		(4,869)	3,846
Adjustments for:			
Unrealized (gain)/loss on FVIS investments	5(a)	(237)	135
Gain on sale of available for sale investments	5(c)	(3,602)	-
Amortisation of held to maturity investments	5(b)	5	-
		<u>(8,703)</u>	<u>3,981</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		(355)	(24)
Due from insurance operations' fund		5,597	(1,953)
Statutory deposit		(89)	(101)
Accruals and other payables		(579)	(13)
Amount due to a related party		33	(81)
Zakat paid	6	(1,255)	(1,362)
Net cash (used in)/ from operating activities		<u>(5,351)</u>	<u>447</u>
INVESTING ACTIVITIES			
Investment in term deposits		(10,000)	-
Disposal of available for sale investments	5(c)	12,325	-
Disposal of held to maturity investments	5(b)	1,980	-
Purchase of FVIS investments	5(a)	(10,000)	-
Net cash used in investing activities		<u>(5,695)</u>	<u>-</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,046)	447
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		29,373	42,535
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		18,327	42,982
MAJOR NON-CASH TRANSACTIONS			
Change in fair value of available for sale investments	5(c)	315	357



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2012

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 30 September 2012. The goodwill payments are governed by rules and regulations issued by SAMA 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 for goodwill.

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 and nine-month periods ended 30 September 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 30 September 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%

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 (Additional Disclosures)
IAS 24	Related Party Disclosures (Definition of Related Party)

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 from periods beginning on or after the following date o0</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
IAS 32	Financial Instruments: Presentation (offsetting financial assets and financial liabilities)	1 January 2014

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2012

3 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

	<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
a) Cash and cash equivalents		
<i>Insurance Operations</i>		
Cash on hand and at banks	34,354	43,560
Money market funds	9,124	-
	<u>43,478</u>	<u>43,560</u>
<i>Shareholders' Operations</i>		
Cash at banks	7,630	13,758
Money market funds	10,697	15,615
	<u>18,327</u>	<u>29,373</u>
b) Term deposits		
<i>Insurance Operations</i>		
Term deposits	20,243	23,993
<i>Shareholders' Operations</i>		
Term deposits	20,000	10,000
	<u>20,000</u>	<u>10,000</u>
4 PREMIUM RECEIVABLES, NET		
	<i>Nine-month period ended 30 September 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
Due from policyholders	58,620	52,676
Due from policy holders – related parties	8,916	8,648
Provision for doubtful debts	(25,745)	(21,674)
	<u>41,791</u>	<u>39,650</u>

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2012

5 INVESTMENTS

a) FVIS investments

Insurance operations

Movement in FVIS investments is as follows:

	<i>Nine-month period ended 30 September 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	21	33
	<u>3,098</u>	<u>3,077</u>

Shareholders' operations

Movement in FVIS investments is as follows:

	<i>Nine-month period ended 30 September 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
Purchase during the period/year	10,000	-
Changes in fair value of investments	237	12
	<u>13,506</u>	<u>3,269</u>

b) Held to maturity investments

Insurance operations

Movement in investments held to maturity is as follows:

	<i>Nine-month period ended 30 September 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	-	3,697
Amortised during the period/year	(12)	-
	<u>13,685</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 30 September 2012

5 INVESTMENTS (continued)

b) Held to maturity investments (continued)

Shareholders' operations

Movement in investments held to maturity is as follows:

	<i>Nine-month period ended 30 September 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
Matured during the period/year	(1,980)	-
Amortized during the period/year	(5)	-
	<u>6,737</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

Movement 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>Nine-month period ended 30 September 2012 (Unaudited)</i>			
Balance at the beginning of the period	18,462	1,923	20,385
Disposed during the period (see note (ii) below)	(12,325)	-	(12,325)
Changes in fair value of investments	315	-	315
	<u>6,452</u>	<u>1,923</u>	<u>8,375</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
	<u>18,462</u>	<u>1,923</u>	<u>20,385</u>

- (i) Unquoted available for sale investment, having a carrying value of SR 1,923 thousand (2011: SR 1,923 thousand) are 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.
- (ii) During the nine-month period ended 30 September 2012, the Company sold investment with a cost price of SR 8,723 thousand for SR 12,325 thousand. The realised gain of SR 3,602 thousand has been transferred from available for sale investment reserve to interim statement of shareholders' operations.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 2012

6 ZAKAT

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

Movements in Zakat payable during the nine-month period ended 30 September 2012 and for the year ended 31 December 2011 are as follows:

	<i>30 September 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	1,350	1,800
Paid during the period/year	(1,255)	(1,362)
Balance at the end of the period/year	<u>2,306</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 through 2011 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 through 2011 have not yet been raised. However during the year the DZIT issued initial assessment for the year 2011, disallowed investments and statutory deposit from zakat base and requested additional zakat of SR 1.3 million. The Company has filed an appeal against DZIT’s initial assessment.

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>30 September 2012 (Unaudited) SR'000</i>	<i>30 September 2011 (Unaudited) SR'000</i>
a) Insurance Operations			
Islamic Arab Insurance Company (B.S.C.) – (an affiliate)	Salvage and premiums collection on behalf of the Company	-	(28)
b) Shareholders			
Islamic Arab Insurance Company (B.S.C.) – (founding shareholder)	Payments and settlements	-	(7)
Senior executives	Remunerations	868	667
Board of directors	Remunerations	30	6
Audit committee	Remunerations	81	3

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.

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 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, other payables, due to shareholder's fund and employees' terminal benefits.

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:

For the three-month period ended 30 September 2012	<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>
Gross premium written	4,422	31,719	4,290	40,431
Less: Reinsurance premiums ceded	(1,765)	-	(3,222)	(4,987)
Less: Excess of loss premiums	-	(310)	(191)	(501)
Net premium written	<u>2,657</u>	<u>31,409</u>	<u>877</u>	34,943
Changes in net unearned premiums	4,116	9,115	(136)	13,095
Net premiums earned	<u>6,773</u>	<u>40,524</u>	<u>741</u>	48,038
Net reinsurance commissions earned	2,146	-	727	2,873
Net revenue	<u>8,919</u>	<u>40,524</u>	<u>1,468</u>	50,911
Gross claims paid	14,051	27,105	231	41,387
Less: Reinsurers share	(7,027)	-	(196)	(7,223)
Net claims paid	<u>7,024</u>	<u>27,105</u>	<u>35</u>	34,164
Changes in outstanding claims	(263)	1,770	1,040	2,547
Net claims incurred	<u>6,761</u>	<u>28,875</u>	<u>1,075</u>	36,711
Policy acquisition costs	524	2,302	200	3,026
Other operating expenses	517	224	53	794
Net costs and expenses	<u>7,802</u>	<u>31,401</u>	<u>1,328</u>	40,531
Net results of insurance operations	1,117	9,123	140	10,380
Unallocated expenses				(10,335)
Investment income				309
Surplus from insurance operations				354

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
 At 30 September 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>
For the nine-month period ended 30 September 2012				
Gross premium written	30,100	129,196	12,442	171,738
Less: Reinsurance premiums ceded	(12,061)	-	(9,287)	(21,348)
Less: Excess of loss premiums	-	(1,004)	(748)	(1,752)
Net premium written	18,039	128,192	2,407	148,638
Changes in net unearned premiums	5,911	(6,027)	(317)	(433)
Net premiums earned	23,950	122,165	2,090	148,205
Net reinsurance commissions earned	2,146	-	2,302	4,448
Net revenue	26,096	122,165	4,392	152,653
Gross claims paid	44,742	92,668	1,418	138,828
Less: Reinsurers share	(22,382)	(57)	(720)	(23,159)
Net claims paid	22,360	92,611	698	115,669
Changes in outstanding claims	(1,134)	(959)	1,053	(1,040)
Net claims incurred	21,226	91,652	1,751	114,629
Policy acquisition costs	2,136	9,770	618	12,524
Other operating expenses	2,598	1,138	198	3,934
Net costs and expenses	25,960	102,560	2,567	131,087
Net results of insurance operations	136	19,605	1,825	21,566
Unallocated expenses				(31,957)
Unallocated other income				210
Investment income				924
Deficit from insurance operations				(9,257)
	<i>Medical SR'000</i>	<i>Motor SR'000</i>	<i>Other SR'000</i>	<i>Total SR'000</i>
As at 30 September 2012				
Insurance operations' assets				
Reinsurer's share of unearned premiums	6,742	-	5,311	12,053
Reinsurer's share of outstanding claims	7,380	-	6,286	13,666
Deferred policy acquisition costs	733	1,874	316	2,923
Unallocated assets	-	-	-	155,995
Total insurance operations' assets				184,637
Insurance operations' liabilities				
Unearned premium	16,859	76,995	7,187	101,041
Outstanding claims	14,760	18,133	11,450	44,343
Unearned commission income	-	-	1,311	1,311
Provision for premium deficiency	-	-	63	63
Unallocated liabilities and surplus				37,879
Total insurance operations' liabilities and surplus				184,637

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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>
For the three-month period ended 30 September 2011				
Gross premium written	12,006	37,632	2,601	52,239
Less: Reinsurance premiums ceded	(4,487)	-	(2,113)	(6,600)
Less: Excess of loss premiums	-	(347)	(204)	(551)
Net premium written	7,519	37,285	284	45,088
Changes in net unearned premiums	1,538	(10,564)	1,229	(7,797)
Net premiums earned	9,057	26,721	1,513	37,291
Net reinsurance commissions earned	-	-	836	836
Net revenue	9,057	26,721	2,349	38,127
Gross claims paid	9,021	15,407	2,844	27,272
Less: Reinsurers share	(4,508)	1,248	(1,781)	(5,041)
Net claims paid	4,513	16,655	1,063	22,231
Changes in outstanding claims	(689)	2,309	(1,528)	92
Net claims incurred	3,824	18,964	(465)	22,323
Policy acquisition costs	891	2,108	319	3,318
Other operating expenses	1,187	294	23	1,504
Net costs and expenses	5,902	21,366	(123)	27,145
Net results of insurance operations	3,155	5,355	2,472	10,982
Unallocated expenses				(12,528)
Investment income				236
Deficit from insurance operations				(1,310)

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

8 SEGMENTAL INFORMATION (continued)

	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
For the nine-month period ended 30 September 2011				
Gross premium written	49,217	108,420	15,175	172,812
Less: Reinsurance premiums ceded	(18,734)	(19)	(10,502)	(29,255)
Less: Excess of loss premiums	-	(751)	(1,343)	(2,094)
	<hr/>	<hr/>	<hr/>	<hr/>
Net premium written	30,483	107,650	3,330	141,463
Changes in net unearned premiums	(6,264)	(45,189)	(376)	(51,829)
	<hr/>	<hr/>	<hr/>	<hr/>
Net premiums earned	24,219	62,461	2,954	89,634
Net reinsurance commissions earned	-	-	2,707	2,707
	<hr/>	<hr/>	<hr/>	<hr/>
Net revenue	24,219	62,461	5,661	92,341
	<hr/>	<hr/>	<hr/>	<hr/>
Gross claims paid	26,330	55,903	15,267	97,500
Less: Reinsurers share	(13,124)	(1,400)	(12,065)	(26,589)
	<hr/>	<hr/>	<hr/>	<hr/>
Net claims paid	13,206	54,503	3,202	70,911
Changes in outstanding claims	(802)	(13,525)	(3,359)	(17,686)
	<hr/>	<hr/>	<hr/>	<hr/>
Net claims incurred	12,404	40,978	(157)	53,225
Policy acquisition costs	2,317	3,613	897	6,827
Other operating expenses	4,073	818	457	5,348
	<hr/>	<hr/>	<hr/>	<hr/>
Net costs and expenses	18,794	45,409	1,197	65,400
	<hr/>	<hr/>	<hr/>	<hr/>
Net results of insurance operations	5,425	17,052	4,464	26,941
				<hr/>
Unallocated expenses				(23,830)
Unallocated other Income				509
Unallocated investment income				707
				<hr/>
Surplus from insurance operations				4,327
				<hr/>
				<hr/>
	<i>Medical</i>	<i>Motor</i>	<i>Other</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
As at 31 December 2011				
Insurance operations' assets				
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
				<hr/>
Total insurance operations' assets				187,994
				<hr/>
Insurance operations' liabilities				
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
				<hr/>
Total insurance operations' liabilities and surplus				187,994
				<hr/>

Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)
At 30 September 2012

9 CAPITAL COMMITMENTS

At 30 September 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 15 October 2012.