

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2011

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

INDEX	PAGE
Independent auditors' report	1
Statement of financial position	2-3
Statement of insurance operations	4
Statement of shareholders' comprehensive operations	5
Statement of changes in shareholders' equity	6
Statement of insurance operations' cash flows	7
Statement of shareholders' cash flows	8
Notes to the financial statements	9-35

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of audit:

We have audited the accompanying statement of financial position of Saudi Arabian Cooperative Insurance Company - A Saudi Joint Stock Company (the "Company") as at 31 December 2011 and the related statements of insurance operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations cash flows and shareholders' cash flows for the year then ended and the notes which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

In our opinion, the financial statements taken as a whole:


- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

Emphasis of matters:

We draw attention to the following:

- These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.
- Note 2 to the accompanying financial statements in relation to the asset purchase agreement and transfer of insurance portfolio.

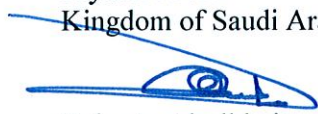
Ernst & Young
P. O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia


Rashid S. Al Rashoud
Certified Public Accountant
Registration No. 366



30 Rabi Awal 1433H
22 February 2012

Deloitte & Touche
Bakr Abulkhair & Co.
P. O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia


Bakr A. Abulkhair
Certified Public Accountant
Registration No. 101



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Notes	31 December 2011 SR	31 December 2010 SR
INSURANCE OPERATIONS' ASSETS			
Property and equipment	7	7,242,382	4,615,153
Reinsurers' share of outstanding claims	8 (a)	153,104,202	126,481,376
Reinsurers' share of unearned premiums	8 (b)	100,712,005	90,214,120
Deferred policy acquisition costs	8 (d)	23,348,928	25,631,887
Premiums and insurance balances receivable	9	87,850,300	128,831,753
Prepayments and other assets	10	6,947,278	4,203,303
Due from related parties	11	94,817,399	102,138,512
Time deposits	13	25,050,833	-
Cash and cash equivalents	12	32,420,717	44,710,641
Due from shareholders operations		-	4,798,774
TOTAL INSURANCE OPERATIONS' ASSETS		531,494,044	531,625,519
SHAREHOLDERS' ASSETS			
Statutory deposit	14	10,000,000	10,000,000
Due from insurance operations		438,536	-
Prepayments and other assets	10	665,815	603,354
Time deposits	13	51,673,681	64,465,229
Cash and cash equivalents	12	4,396,888	4,335,898
TOTAL SHAREHOLDERS' ASSETS		67,174,920	79,404,481
TOTAL ASSETS		598,668,964	611,030,000


ABDULAZIZ A. ABUSSUUD
BOARD MEMBER


R. VENKATESH
FINANCE MANAGER


HASSAN ABDULLA DORAR ALI
PRESIDENT & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2011

	Notes	31 December 2011 SR	31 December 2010 SR
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	8 (a)	230,041,134	211,888,446
Gross unearned premiums	8 (b)	210,817,410	220,719,556
Unearned commission income	8 (c)	18,724,964	17,820,680
Due to related parties	11	565,071	11,188,765
Employees' end-of-service benefits		4,473,811	3,148,986
Reinsurance balances payable	15	39,963,508	43,867,540
Accrued expenses and other liabilities	16	26,469,610	22,991,546
Due to shareholders operations		438,536	-
TOTAL INSURANCE OPERATIONS' LIABILITIES		531,494,044	531,625,519
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Zakat payable	18	1,919,551	1,748,440
Accounts payable		857,808	700,477
Due to insurance operations		-	4,798,774
TOTAL SHAREHOLDERS' LIABILITIES		2,777,359	7,247,691
SHAREHOLDERS' EQUITY			
Share capital	17	100,000,000	100,000,000
Accumulated losses		(35,602,439)	(27,843,210)
TOTAL SHAREHOLDERS' EQUITY		64,397,561	72,156,790
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		67,174,920	79,404,481
TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' LIABILITIES AND EQUITY		598,668,964	611,030,000

R. Venkatesh



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	31 December 2011 SR	31 December 2010 SR
REVENUE			
Gross written premiums	8 (b)	548,443,798	552,693,700
Reinsurance premium ceded	8 (b)	(234,268,307)	(231,886,924)
Excess of loss premiums		(11,869,718)	(9,093,661)
NET WRITTEN PREMIUMS		302,305,773	311,713,115
Movement in unearned premiums		20,400,031	(95,031,094)
NET PREMIUMS EARNED		322,705,804	216,682,021
Commission income	8 (c)	48,978,378	34,023,406
Other income		5,939,639	5,577,578
Special commission income		76,476	-
TOTAL REVENUE		377,700,297	256,283,005
COSTS AND EXPENSES			
Gross claims paid	8 (a)	344,224,337	102,388,354
Reinsurance share of claims paid	8 (a)	(77,880,927)	(17,888,649)
NET CLAIMS PAID		266,343,410	84,499,705
Movement in outstanding claims		(8,470,138)	82,631,425
NET CLAIMS INCURRED	8 (a)	257,873,272	167,131,130
Policy acquisition costs	8 (d)	62,680,254	51,558,086
General and administration expenses	19	48,212,203	35,414,565
Provision for doubtful debts		9,230,964	4,447,356
Inspection and supervision fees		5,003,528	4,828,515
TOTAL COSTS AND EXPENSES		383,000,221	263,379,652
NET DEFICIT FROM INSURANCE OPERATIONS		(5,299,924)	(7,096,647)
Shareholders' appropriation from deficit		5,299,924	7,096,647
Net results for the year		-	-

R. Venkatesh



The accompanying notes 1 to 26 form part of these financial statements.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	31 December 2011 SR	31 December 2010 SR
Appropriation of deficit from insurance operations		(5,299,924)	(7,096,647)
Special commission income		199,734	228,433
General and administration expenses	19	(981,418)	(844,766)
LOSS BEFORE ZAKAT		(6,081,608)	(7,712,980)
Zakat	18	(1,677,621)	(1,672,000)
NET LOSS FOR THE YEAR		(7,759,229)	(9,384,980)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Change in fair value of available for sale investments		-	-
NET COMPREHENSIVE LOSS FOR THE YEAR		(7,759,229)	(9,384,980)
Basic and diluted loss per share for the year	24	(0.78)	(0.94)

R. Venkatesh





SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 1 January 2010	100,000,000	(18,458,230)	81,541,770
Net loss and total comprehensive loss for the year	-	(9,384,980)	(9,384,980)
Balance at 31 December 2010	<u>100,000,000</u>	<u>(27,843,210)</u>	<u>72,156,790</u>
Net loss and total comprehensive loss for the year	-	(7,759,229)	(7,759,229)
Balance at 31 December 2011	<u><u>100,000,000</u></u>	<u><u>(35,602,439)</u></u>	<u><u>64,397,561</u></u>

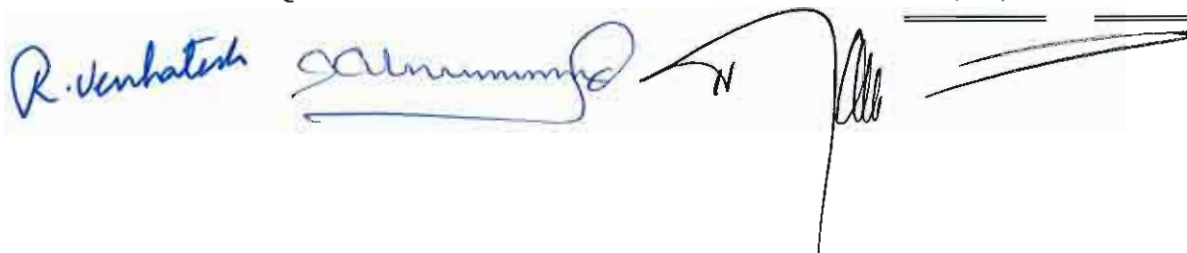
R. Venhater



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	31 December 2011 SR	31 December 2010 SR
OPERATING ACTIVITIES		
Net deficit from insurance operations	(5,299,924)	(7,096,647)
Adjustments for:		
Depreciation	2,889,683	1,961,089
Provision for doubtful receivables	9,230,964	4,447,356
Employees' end-of-service benefits, net	1,324,825	2,591,029
Gain on sale of property and equipment	(414)	-
Income before changes in operating assets and liabilities	<u>8,145,134</u>	<u>1,902,827</u>
Changes in operating assets and liabilities:		
Reinsurers' share of outstanding claims	(26,622,826)	(126,308,760)
Reinsurer' share of unearned premiums	(10,497,885)	(69,099,530)
Deferred policy acquisition costs	2,282,959	(20,165,971)
Premiums and insurance balances receivable	31,750,489	(102,283,195)
Prepayments and other assets	(2,743,975)	1,141,037
Due from related parties	7,321,113	(69,688,176)
Gross outstanding claims	18,152,688	208,940,185
Gross unearned premiums	(9,902,146)	164,130,624
Unearned commission income	904,284	13,803,558
Due to related parties	(10,623,694)	5,049,376
Reinsurance balances payable	(3,904,032)	21,904,145
Accrued expenses and other liabilities	3,478,064	10,353,357
Net cash from operating activities	<u>7,740,173</u>	<u>39,679,477</u>
INVESTING ACTIVITIES		
Time deposits, net	(25,050,833)	-
Purchase of property and equipment	(5,518,523)	(2,998,036)
Proceeds from sale of property and equipment	2,025	-
Net cash used in investing activity	<u>(30,567,331)</u>	<u>(2,998,036)</u>
FINANCING ACTIVITY		
Due from (to) shareholders operations	10,537,234	(12,493,757)
Net cash from (used in) financing activity	<u>10,537,234</u>	<u>(12,493,757)</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(12,289,924)</u>	<u>24,187,684</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>44,710,641</u>	<u>20,522,957</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR ¹²	<u>32,420,717</u>	<u>44,710,641</u>



The accompanying notes 1 to 26 form part of these financial statements.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011 SR	31 December 2010 SR
OPERATING ACTIVITIES			
Loss before zakat		(6,081,608)	(7,712,980)
Adjustment for:			
Appropriation of deficit from insurance operations		5,299,924	7,096,647
Loss before changes in operating assets and liabilities		(781,684)	(616,333)
Changes in operating assets and liabilities:			
Prepayments and other assets		(62,461)	(112,938)
Accounts payable		157,331	151,883
Cash used in operations		(686,814)	(577,388)
Zakat paid		(1,506,510)	(1,756,602)
Net cash used in operating activities		(2,193,324)	(2,333,990)
INVESTING ACTIVITY			
Time deposits, net		12,791,548	(64,465,229)
Net cash from (used in) investing activity		12,791,548	(64,465,229)
FINANCING ACTIVITY			
Due from (to) insurance operations		(10,537,234)	12,493,757
Net cash (used in) from financing activity		(10,537,234)	12,493,757
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		60,990	(54,305,462)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,335,898	58,641,360
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	4,396,888	4,335,898

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010237214 dated 7 Shaban 1428H, corresponding to 20 August 2007. The registered office address of the Company is at P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations 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 Stock Exchange (Tadawul) on 3 September 2007.

2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

The Company has been licensed to conduct insurance business in Saudi Arabia under co-operative principles in accordance with Royal Decree numbered 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to the Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006).

Following the completion of the public offering on 28 May 2007, the Ministry of Commerce and Industry (MOCI) issued a resolution declaring the incorporation of the Company on 21 Rajab 1428H corresponding to 5 August 2007.

On 29 Shaban 1428H, corresponding to 11 September 2007, the Saudi Arabian Monetary Agency issued a formal approval to transact insurance business, thus authorising the Company to commence operations as soon as product approval and related formalities are completed.

The Company intends to enter into an asset purchase agreement (the Agreement), pursuant to which it is expected to offer to purchase the insurance business and related net assets of Saudi Arabian Insurance Company B.S.C (C)'s operations in the Kingdom of Saudi Arabia (the Saudi operations) at a valuation to be approved by the Saudi Arabian Monetary Agency.

The Company convened a general assembly meeting on 26 August 2009 and approved the purchase of the insurance portfolio and related net assets of the Saudi operations. The related assets and liabilities to be acquired will be determined and valued in accordance with the valuation program issued by SAMA in May 2007. The Company is planning to transfer the assets and liabilities with effect from 1 January 2009. Accordingly, the net results related to such portfolio subsequent to 1 January 2009 will also be transferred to the Company. The transfer will be effected when all required formalities have been completed.

3 BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Statement of compliance

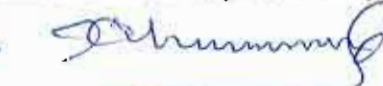
The financial statements of the Company have been prepared by the management in accordance with International Financial Reporting Standards (IFRS).

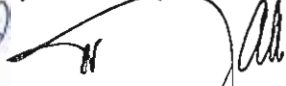
As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenues and expenses clearly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

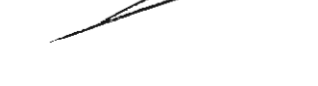
Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals.









SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

4 NEW STANDARDS, AMMENDMENTS TO STANDARDS AND INTREPREATATIONS

The accounting policies used in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2010 except that the Company has adopted the following new and amended IASB Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations which became effective in 2011

IAS 24 Related Party Disclosures (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the idcntification of related party relationships, particularly in relation to significant influence or joint control. The new definitions emphasise a symmetrical view on related party relationship as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduccs an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the operations of the Company.

IFRS 7 Financial instruments: Disclosures (Amendment)

These amendments introduced new disclosure requirements for transfers of financial assets, including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The amendments were intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The amendments also 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.

The amendment has had no significant effect on the Company.

Improvements to IFRSs

In May 2010, the Board issued its third omnibus amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company:

IAS 1 Presentation of Financial Statements

The amendment clarifies that an analysis of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IAS 27 Consolidated and Separate Financial Statements and
- IAS 34 Interim Financial Statements

R. Venkatesh



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Product classification

The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

Premiums earned and commission income

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Retained premiums and commission income, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- 25% of premiums for marine cargo business
- Actual number of days for other lines of business

Premiums receivable

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any impairment loss is recorded in the statement of insurance operations. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Any difference between the provisions at the end of reporting period and settlements and provisions in the following period is included in the general and administration expenses for that period.

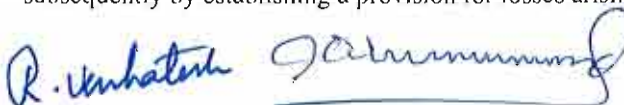
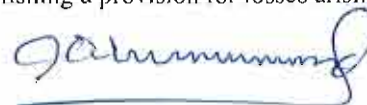
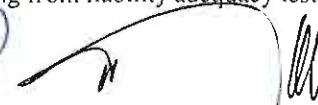

Gross outstanding claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations. Gross outstanding claims comprise of gross estimated cost of claims incurred but not settled at the date of statement of financial position, whether reported or not. Provisions for reported claims not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported as of reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the date of statement of financial position and settlements and provisions in the following year is included in the statement of insurance operations for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition cost using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers under which the Company is compensated for losses on insurance contracts issued.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers on settlement of claims and other receivables such as profit commissions and reinsurers' share of outstanding claims that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are recognised consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognised in the statement of insurance operations.

Deferred policy acquisition costs

Commissions and other costs directly and indirectly related to the acquisition and renewal of insurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate as premiums are earned. Amortisation is recorded in the statement of insurance operations.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of insurance operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each reporting period.

Unearned commission income

Commission receivable on outwards reinsurance contracts are deferred and amortised over the terms of the insurance contracts to which they relate. Amortisation is recorded in the statement of insurance operations.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation. Depreciation is charged to the statement of insurance operations on a straight line basis over the estimated useful lives of the assets.

Zakat

The Company is subject to Zakat in accordance with the Regulation of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is accrued and charged to the statement of shareholders' comprehensive operations.

Provisions

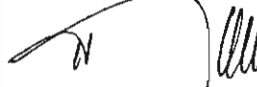
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Leases

Operating lease payments are recognised as an expense in the statements of insurance operations and shareholders' comprehensive operations on a straight-line basis over the lease term.









SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The company provides end-of-service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and time deposits with an original maturity of less than three months at the date of acquisition.

Special commission income on time deposits

Special commission income on time deposits is accrued on an effective yield basis.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organised into business units based on products and services and has six reportable operating segments and one non-operating reportable segment as follows:

- Medical provides health care cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire and burglary provides coverage against fire, and any other insurance included under this class of insurance.
- Marine Insurance provides cover for Marine Cargo in transit and ships against marine perils.
- Engineering Insurance provides coverage for loss or damage to construction works or erection and installation of plant & machinery.
- Public liability provides cover for legal liability of the insured against third parties arising out of premises, business operations or projects handled.
- Shareholders' Funds is a non-operating segment. Income earned from time deposits is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The deficit or surplus from the insurance operations' is allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segments only.

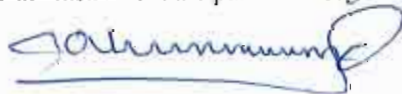
Foreign currencies

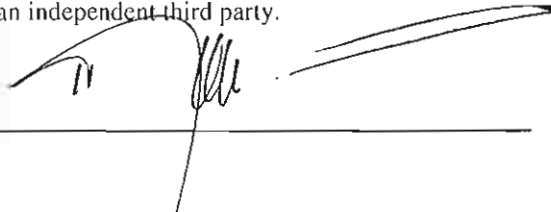
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange ruling at that date. All differences are taken to the statement of insurance operations.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

R. Venkatesh





SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of insurance operations or statement of shareholders' comprehensive operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Fair values

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

For financial assets where there is not an active market, fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on Management's best estimates and the discount rate used is a market related rate for similar assets.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statements of insurance operations and shareholders' comprehensive operations. Impairment is determined as follows:

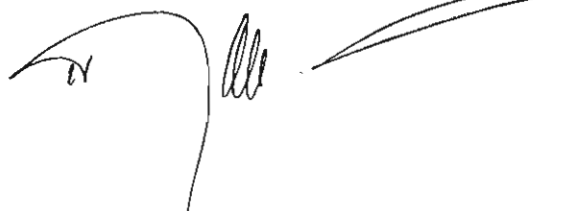
- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statements of insurance operations and shareholders' comprehensive operations;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Statutory reserve

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to a statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2011.



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of reporting period, for which the insured event has occurred prior to the end of reporting period.

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

In order to comply with the 'Implementing Regulations' and requirements of the Saudi Arabian Monetary Agency, the Company changed its method of provisioning for doubtful debts in the current year based on the inception date of the insurance policy rather than due date of the premium receivable.

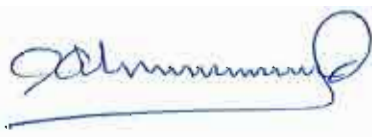
Deferred policy acquisition costs

Certain acquisition costs related to sale of policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Additionally, the management is not aware of any material uncertainties that, may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

R. Khabatsh



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

7 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	3 years
Furniture and fittings	10 years
Computer and office equipment	3- 5 years
Vehicles	3 years

	<i>Leasehold improvements</i> SR	<i>Furniture and fittings</i> SR	<i>Computer and office equipment</i> SR	<i>Vehicles</i> SR	<i>Total</i> SR
Cost:					
1 January 2010	1,862,597	1,461,990	2,156,813	-	5,124,641
Additions	905,120	624	2,092,292	-	2,998,036
31 December 2010	2,767,717	1,462,614	4,249,105	-	8,479,436
Additions	2,225,206	489,624	2,781,974	21,719	5,518,523
Disposals	-	-	(3,000)	-	(3,000)
31 December 2011	4,992,923	1,952,238	7,028,079	21,719	13,994,959
Accumulated depreciation:					
1 January 2010	1,085,505	331,923	485,766	-	1,903,194
Charge for the year	779,200	146,253	1,035,636	-	1,961,089
31 December 2010	1,864,705	478,176	1,521,402	-	3,864,283
Charge for the year	872,177	172,836	1,840,108	4,562	2,889,683
Disposals	-	-	(1,389)	-	(1,389)
31 December 2011	2,736,882	651,012	3,360,121	4,562	6,752,577
Net book value:					
31 December 2011	<u>2,256,041</u>	<u>1,301,226</u>	<u>3,667,958</u>	<u>17,157</u>	<u>7,242,382</u>
31 December 2010	<u>903,012</u>	<u>984,438</u>	<u>2,727,703</u>	-	<u>4,615,153</u>

The depreciation charge for the year has been included in general and administration expenses.

R. Venkatesh

[Signature]

[Signature]

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

8 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS

(a) Outstanding claims

	2011			2010		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Outstanding at end of the year	204,624,401	(153,104,202)	51,520,199	190,211,150	(126,481,376)	63,729,774
IBNR	25,416,733	-	25,416,733	21,677,296	-	21,677,296
	<u>230,041,134</u>	<u>(153,104,202)</u>	<u>76,936,932</u>	<u>211,888,446</u>	<u>(126,481,376)</u>	<u>85,407,070</u>
Insurance claims paid during the year	344,224,337	(77,880,927)	266,343,410	102,388,354	(17,888,649)	84,499,705
Outstanding at beginning of the year	(190,211,150)	126,481,376	(63,729,774)	(2,335,297)	172,616	(2,162,681)
IBNR	(21,677,296)	-	(21,677,296)	(612,964)	-	(612,964)
	<u>(211,888,446)</u>	<u>126,481,376</u>	<u>(85,407,070)</u>	<u>(2,948,261)</u>	<u>172,616</u>	<u>(2,775,645)</u>
Claims incurred	<u>362,377,025</u>	<u>(104,503,753)</u>	<u>257,873,272</u>	<u>311,328,539</u>	<u>(144,197,409)</u>	<u>167,131,130</u>

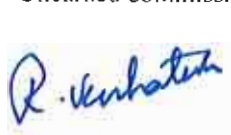
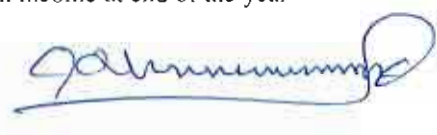
The Company commenced its insurance operations on 25 August 2009. Accordingly the management believes that the disclosure of a claims development table would not be meaningful.

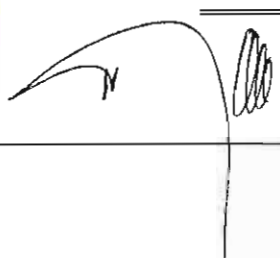
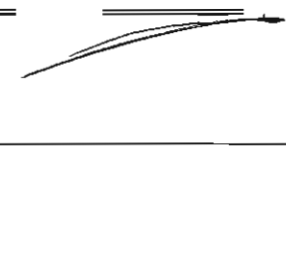
(b) Unearned premiums

	2011			2010		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Unearned premiums at beginning of the year	220,719,556	(90,214,120)	130,505,436	56,588,932	(21,114,590)	35,474,342
Premiums written during the year	548,443,798	(234,268,307)	314,175,491	552,693,700	(231,886,924)	320,806,776
Premiums earned during the year	(558,345,944)	223,770,422	(334,575,522)	(388,563,076)	162,787,394	(225,775,682)
Unearned premiums at end of the year	<u>210,817,410</u>	<u>(100,712,005)</u>	<u>110,105,405</u>	<u>220,719,556</u>	<u>(90,214,120)</u>	<u>130,505,436</u>

(c) Unearned commission income

	2011 SR	2010 SR
Unearned commission income at beginning of the year	17,820,680	4,017,122
Commission received during the year	49,882,662	47,826,964
Commission earned during the year	(48,978,378)	(34,023,406)
Unearned commission income at end of the year	<u>18,724,964</u>	<u>17,820,680</u>

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

8 MOVEMENT IN OUTSTANDING CLAIMS, UNEARNED PREMIUMS, UNEARNED COMMISSION INCOME AND DEFERRED POLICY ACQUISITION COSTS (continued)

(d) Deferred policy acquisition costs

	2011 SR	2010 SR
Deferred policy acquisition costs at beginning of the year	25,631,887	5,465,916
Incurred during the year	60,397,295	71,724,057
Amortized during the year	(62,680,254)	(51,558,086)
Deferred policy acquisition costs at end of the year	<u>23,348,928</u>	<u>25,631,887</u>

9 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

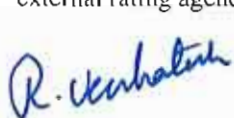
	2011 SR	2010 SR
Premium receivables	95,780,205	131,173,991
Reinsurers and others	5,845,205	2,225,045
Total premiums and insurance balances receivable	<u>101,625,410</u>	<u>133,399,036</u>
Provision for doubtful receivables	(13,775,110)	(4,567,283)
	<u>87,850,300</u>	<u>128,831,753</u>

The Company's terms of business require amounts to be settled within 30 to 90 days of the date of the transaction. Amounts due from reinsurers are normally settled on a quarterly basis.

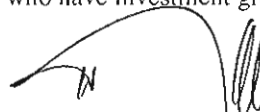
As at 31 December, the ageing of unimpaired premium receivable balances is as follows:

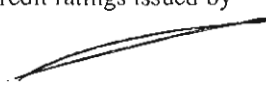
	Total SR	Neither past due nor impaired SR	Past due but not impaired				Past due and impaired SR
			Less than 30 days SR	31 to 60 days SR	61 to 90 days SR	Above 90 days SR	
2011	<u>101,625,410</u>	<u>30,615,396</u>	<u>18,889,595</u>	<u>7,220,973</u>	<u>8,389,027</u>	<u>30,982,678</u>	<u>5,527,741</u>
2010	<u>133,399,036</u>	<u>67,316,386</u>	<u>27,014,176</u>	<u>8,335,990</u>	<u>7,979,819</u>	<u>21,816,991</u>	<u>935,674</u>

The Company classifies client balances as 'past due and impaired' on a case by case basis. An impairment adjustment is recorded in the statement of insurance operations. It is not the practice of the Company to obtain collateral over receivables and they are, therefore, unsecured. The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of client balances, are from individuals and unrated corporate. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.









SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

9 PREMIUMS AND INSURANCE BALANCES RECEIVABLE (continued)

The movement in the provision for doubtful receivables is as follows:

	2011 SR	2010 SR
Opening balance	4,567,283	119,927
Provision made during the year	9,230,964	4,447,356
Written off	(23,137)	-
	<u>13,775,110</u>	<u>4,567,283</u>

10 PREPAYMENTS AND OTHER ASSETS

	2011		2010	
	<i>Insurance Operations</i> SR	<i>Shareholders' Operations</i> SR	<i>Insurance Operations</i> SR	<i>Shareholders' Operations</i> SR
Prepaid excess of loss expenses	2,500,776	-	713,443	-
Excess of loss recovery receivable	2,088,903	-	1,074,609	-
Advances to suppliers	556,718	-	420,808	-
Prepaid insurance	503,513	-	442,690	-
Advance for computer implementation	426,716	-	128,189	-
Prepaid rent	313,499	-	527,349	-
Employee receivables	175,077	-	367,215	-
Accrued special commission income	25,642	665,815	-	603,354
Advance payment to hospitals	-	-	276,493	-
Others	356,434	-	252,507	-
	<u>6,947,278</u>	<u>665,815</u>	<u>4,203,303</u>	<u>603,354</u>

R. Khatib

[Signature]

[Signature]

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company, and companies of which they are principal owners and other entities significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

a) *Transactions with related parties*

The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Nature of transactions</i>	<i>2011 SR</i>	<i>2010 SR</i>
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	- Amounts received and paid on behalf of SAICO BSC (C)	(4,995,972)	59,454,043
ACE Insurance Agents Limited("Agent") (Affiliate)	Premiums received through Agent	<u>56,291,638</u>	<u>211,125,645</u>
	- Claims paid through Agent	<u>41,598,690</u>	<u>29,707,185</u>
	- Commission expense	<u>12,392,611</u>	<u>45,729,206</u>
ACE Limited (Common ownership)	- Premiums and claims	<u>(694,836)</u>	<u>548,866</u>
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	- Premiums received through Broker	<u>146,961,845</u>	<u>48,843,676</u>
	- Commission expense	<u>20,658,324</u>	<u>3,339,317</u>
	- Premiums ceded through Broker	<u>58,130,671</u>	<u>93,725,071</u>
	- Commission received	<u>9,088,905</u>	<u>16,224,663</u>
Board members	- Reimbursement of expenses to board members	<u>100,571</u>	<u>60,268</u>

b) *Balances with related parties*

The above transactions with the related parties resulted in the following balance as at the statement of financial position date:

		<i>2011 SR</i>	<i>2010 SR</i>
Saudi Arabian Insurance Company B.S.C (C) (SAICO BSC (C))(Shareholder)	- Insurance operations	<u>59,054,121</u>	<u>64,050,093</u>
ACE Insurance Agents limited	- Insurance operations	<u>9,783,988</u>	<u>28,905,727</u>
ACE Limited	- Insurance operations	<u>(565,071)</u>	<u>(11,188,765)</u>
ACE Insurance and Reinsurance Brokers Limited	- Insurance operations	<u>25,979,290</u>	<u>9,182,692</u>

Outstanding balances at the reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment was made at the reporting date. This assessment is undertaken at the reporting date through examining the financial position of the related party and the market in which the related party operates.

R. Venkatesh *Ganesh*

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Compensation of key management personnel

Key management personnel of the Company include all directors (executive and non-executive) and senior management. The summary of compensation of key management personnel for the year is as follows.

	2011 SR	2010 SR
Short-term benefits	1,742,070	1,610,600
Bonus	1,675,000	1,500,000
Employees' end-of-service benefits	347,895	839,190
	<u>3,764,965</u>	<u>3,949,790</u>

12 CASH AND CASH EQUIVALENTS

	2011		2010	
	Insurance Operations' SR	Shareholders' Operations SR	Insurance Operations' SR	Shareholders' Operations SR
Time deposits	-	4,032,179	-	4,027,197
Cash at banks	32,398,717	364,709	44,699,641	308,701
Cash on hand	22,000	-	11,000	-
	<u>32,420,717</u>	<u>4,396,888</u>	<u>44,710,641</u>	<u>4,335,898</u>

Cash at banks and time deposits are placed with counterparties who have investment grade credit ratings. The time deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn commission at an effective commission rate of 0.12% (2010: 0.12%).

13 TIME DEPOSITS

Time deposits represent deposits with local banks which have investment grade credit ratings and have an original maturity of more than three months from date of acquisition. The company earns commission at an effective commission rate of 0.43% (2010: 0.45%)

14 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. This statutory deposit is placed with a counterparty which has an investment grade credit rating

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

15 REINSURANCE BALANCES PAYABLE

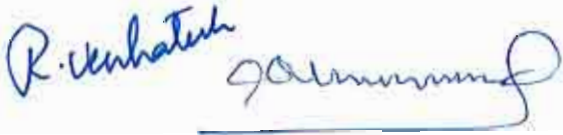
	2011 SR	2010 SR
Insurance underwriters	39,963,508	43,777,920
Premiums payable	-	89,620
	<u>39,963,508</u>	<u>43,867,540</u>

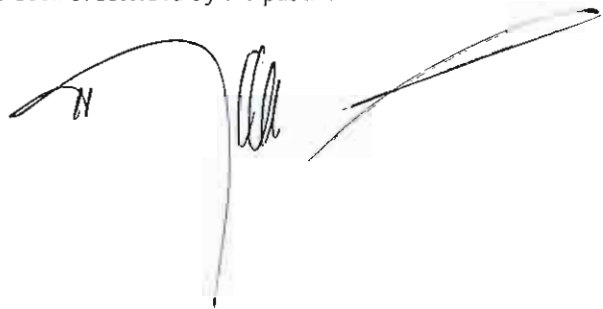
16 ACCRUED EXPENSES AND OTHER LIABILITIES

	2011 SR	2010 SR
Commission payable	13,189,362	9,975,942
Policyholders' payable balances	4,848,590	3,994,494
Council for Cooperative Health Insurance fees	1,961,337	2,105,457
Claims agreed for settlement	1,507,414	805,904
Employees' benefits	1,480,671	1,114,036
Withholding tax payable	743,966	-
SAMA inspection & supervision fees	549,780	582,856
Accrued professional fees	343,750	275,000
Payable to health care providers	-	86,670
Premium received in advance	-	1,591,664
Accrued bonus	-	1,500,000
Others	1,844,740	959,523
	<u>26,469,610</u>	<u>22,991,546</u>

17 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for 6 million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company's capital and the remaining 4 million shares with a nominal value of SR 10 each have been subscribed by the public.





SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

18 ZAKAT

The provision for the year of SR 1,677,621 (2010: SR 1,672,000) is based on the following:

	2011 SR	2010 SR
Shareholders' equity and opening provisions	79,873,059	82,176,000
Book value of long term assets and statutory deposit	(17,242,382)	(14,615,153)
	<u>62,630,677</u>	<u>67,560,847</u>
Adjusted profit / (loss) for the year	4,474,181	(675,000)
Zakat base	<u>67,104,858</u>	<u>66,885,847</u>

Movements in the provision during the year

The movement in the zakat provision for the year was as follows:

	2011 SR	2010 SR
At the beginning of the year	1,748,440	1,833,042
Provided during the year	1,677,621	1,672,000
Payments during the year	(1,506,510)	(1,756,602)
At the end of the year	<u>1,919,551</u>	<u>1,748,440</u>

The differences between the financial and zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable adjusted income (loss).

Status of assessments

The Company has filed zakat declaration for 2008, 2009 and 2010 with the Department of Zakat and Income Tax (DZIT). However, the assessments have not yet been finalized.

19 GENERAL AND ADMINISTRATION EXPENSES

	2011		2010	
	Insurance Operations' SR	Shareholders' Operations SR	Insurance Operations' SR	Shareholders' Operations SR
Employees cost	31,978,647	-	25,849,001	91,001
Withholding Tax	3,589,199	-	1,042,035	-
Depreciation	2,889,683	-	1,961,089	-
Computer implementation	2,021,533	-	269,850	-
Rent	1,820,042	-	1,313,239	-
Legal and professional fees	1,278,644	-	1,509,779	-
Postage, telephone, telex	1,230,876	-	690,340	-
Printing and stationery	726,977	-	882,388	-
Repairs and maintenance	541,983	-	427,621	-
Travel	360,937	-	258,540	-
Collector fees	250,381	-	212,187	-
Tadawul subscription	-	180,000	-	180,000
Others	1,523,301	801,418	998,496	573,765
	<u>48,212,203</u>	<u>981,418</u>	<u>35,414,565</u>	<u>844,766</u>

R. Venkatesh

[Signature]

[Signatures]

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

20 SEGMENTAL INFORMATION

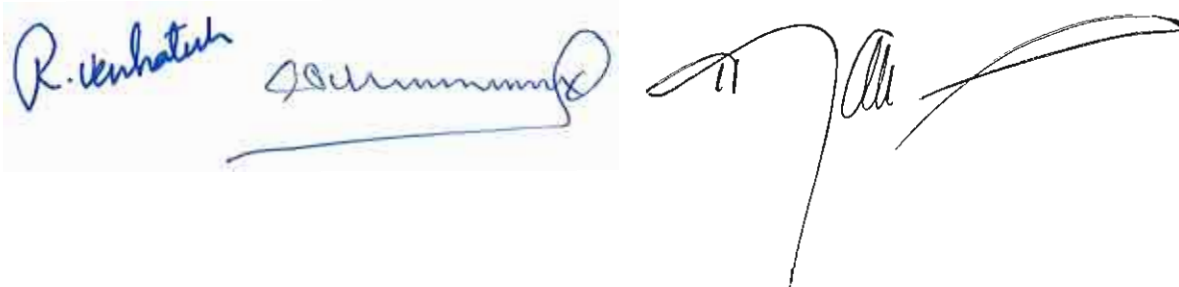
Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities.

Segment results do not include general and administration expenses, provision for doubtful debts, inspection and supervision fees and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from related parties, premiums and insurance balances receivable, due from shareholders operations, time deposits and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include due to shareholders' operations, due to related parties, employees' end of service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly they are included in unallocated liabilities.

All the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

20 SEGMENTAL INFORMATION (continued)

For the year ended 31 December 2011

	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	Others SR'000	Total SR'000
REVENUE								
Gross written premiums	196,134	122,618	101,718	41,667	26,827	19,345	40,135	548,444
Reinsurance premium ceded	(34,071)	(753)	(92,607)	(38,364)	(25,097)	(10,017)	(33,359)	(234,268)
Excess of loss premiums	(7,081)	(2,115)	(1,524)	(625)	(300)	(166)	(59)	(11,870)
Net written premiums	154,982	119,750	7,587	2,678	1,430	9,162	6,717	302,306
Movement in unearned premiums	28,610	(6,495)	574	(71)	14	(2,262)	30	20,400
Net premiums earned	183,592	113,255	8,161	2,607	1,444	6,900	6,747	322,706
Commission income	3,072	174	18,722	11,220	7,079	1,430	7,281	48,978
Total allocated revenues	186,664	113,429	26,883	13,827	8,523	8,330	14,028	371,684
Unallocated revenues								6,016
Total revenues								377,700
COST AND EXPENSES								
Gross claims paid	214,589	75,537	19,918	6,865	1,060	814	25,441	344,224
Reinsurance share of claims paid	(33,358)	(162)	(12,862)	(6,014)	(891)	(5)	(24,589)	(77,881)
Net claims paid	181,231	75,375	7,056	851	169	809	852	266,343
Movement in outstanding claims	(12,775)	8,830	(5,216)	60	(103)	313	421	(8,470)
Net claims incurred	168,456	84,205	1,840	911	66	1,122	1,273	257,873
Policy acquisition cost	14,607	19,681	14,153	5,625	3,592	2,030	2,992	62,680
Total allocated costs and expenses	183,063	103,886	15,993	6,536	3,658	3,152	4,265	320,553
Unallocated expenses								62,447
Total costs and expenses								383,000
Net deficit from insurance operations								(5,300)

R. Venkatesh Gammuru

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

20 SEGMENTAL INFORMATION (continued)

	For the year ended 31 December 2010							Total SR'000
	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	Others SR'000	Motor SR'000	Medical SR'000	
REVENUE								
Gross written premiums	101,938	40,077	49,536	14,717	30,284	102,843	210,546	552,694
Reinsurance premium ceded	(91,126)	(37,048)	(47,177)	(4,842)	(22,007)	(443)	(29,244)	(231,887)
Excess of loss premiums	(1,950)	(602)	(424)	(224)	(107)	(2,310)	(3,477)	(9,094)
Net written premiums	8,862	2,427	1,935	9,651	8,170	102,843	177,825	311,713
Movement in unearned premiums	(2,151)	(705)	(535)	(2,333)	(1,555)	(26,392)	(61,360)	(95,031)
Net premiums earned	6,711	1,722	1,400	7,318	6,615	76,451	116,465	216,682
Commission income	14,440	8,338	5,789	668	4,679	109	-	34,023
Total allocated revenues	21,151	10,060	7,189	7,986	11,294	76,560	116,465	250,705
Unallocated revenues								5,578
Total revenues								256,283
COST AND EXPENSES								
Gross claims paid	5,222	2,428	190	284	1,395	38,936	53,933	102,388
Reinsurance share of claims paid	(3,637)	(2,141)	(123)	-	(1,062)	(81)	(10,844)	(17,888)
Net claims paid	1,585	287	67	284	333	38,855	43,089	84,500
Movement in outstanding claims	10,283	1,182	970	690	1,201	20,852	47,453	82,631
Net claims incurred	11,868	1,469	1,037	974	1,534	59,707	90,542	167,131
Policy acquisition cost	12,371	5,028	4,542	1,929	2,672	15,183	9,833	51,558
Total allocated costs and expenses	24,239	6,497	5,579	2,903	4,206	74,890	100,375	218,689
Unallocated expenses								44,691
Total costs and expenses								263,380
Net deficit from insurance operations								(7,097)

R. Alshaban

Signature

Signature

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

20 SEGMENTAL INFORMATION (continued)

	31 December 2011						Total SR'000
	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	
ASSETS							
Reinsurers' share of outstanding claims	5,048	18	64,472	5,364	6,475	28	71,699
Reinsurers' share of unearned premiums	14,528	195	42,035	10,778	21,678	3,873	7,625
Deferred policy acquisition costs	5,124	7,234	5,290	1,447	2,025	1,602	627
SEGMENT ASSETS	<u>24,700</u>	<u>7,447</u>	<u>111,797</u>	<u>17,589</u>	<u>30,178</u>	<u>5,503</u>	<u>79,951</u>
Unallocated assets							
TOTAL ASSETS							<u>254,329</u>
LIABILITIES							
Gross outstanding claims	42,103	30,080	69,539	6,624	7,342	1,030	73,323
Gross unearned premiums	68,522	45,056	44,707	11,619	22,272	9,115	9,526
Unearned commission income	1,235	56	7,744	3,509	3,821	687	1,673
SEGMENT LIABILITIES	<u>111,860</u>	<u>75,192</u>	<u>121,990</u>	<u>21,752</u>	<u>33,435</u>	<u>10,832</u>	<u>84,522</u>
Unallocated liabilities							
TOTAL LIABILITIES							<u>71,911</u>
							<u>531,494</u>

R. Venkatesh

[Signature]

[Signature]

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

20 SEGMENTAL INFORMATION (continued)

	31 December 2010							Total SR'000
	Medical SR'000	Motor SR'000	Fire & burglary SR'000	Marine SR'000	Engineering SR'000	Public liability SR'000	Others SR'000	
ASSETS								
Reinsurers' share of outstanding claims	5,084	16	76,526	6,102	2,844	7	35,902	126,481
Reinsurers' share of unearned premiums	11,916	143	36,790	10,068	22,995	1,843	6,459	90,214
Deferred policy acquisition costs	5,903	7,013	7,369	1,821	1,940	781	805	25,632
SEGMENT ASSETS	<u>22,903</u>	<u>7,172</u>	<u>120,685</u>	<u>17,991</u>	<u>27,779</u>	<u>2,631</u>	<u>43,166</u>	<u>242,327</u>
Unallocated assets								289,299
TOTAL ASSETS								<u>531,626</u>
LIABILITIES								
Gross outstanding claims	54,915	21,249	86,810	7,303	3,814	697	37,100	211,888
Gross unearned premiums	94,521	38,508	40,037	10,838	23,603	4,823	8,390	220,720
Unearned commission income	-	25	8,583	3,154	4,164	325	1,570	17,821
SEGMENT LIABILITIES	<u>149,436</u>	<u>59,782</u>	<u>135,430</u>	<u>21,295</u>	<u>31,581</u>	<u>5,845</u>	<u>47,060</u>	<u>450,429</u>
Unallocated liabilities								81,197
TOTAL LIABILITIES								<u>531,626</u>

R. Venkatesh




SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

21 RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Risk Governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, special commission rate, credit, and liquidity and currency risks.

Risk management structure

A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of directors

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks.

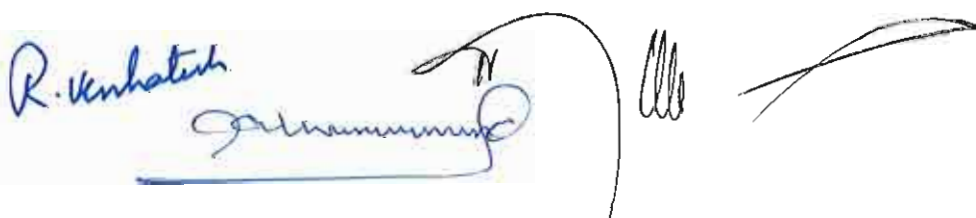
The Company issues short term insurance policies in connection with medical, motor, fire and burglary, marine, engineering and public liability risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites medical, motor, fire and burglary, marine, engineering and public liability risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company only underwrites comprehensive policies for owner/drivers over 21 years of age.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover for such damage to limit the losses for any individual claim.

Fire and burglary

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

Marine

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

Engineering

For engineering insurance, main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like flood, earthquake, hailstorm, etc.

The company has reinsurance cover for such risks to limit losses for any individual claim.

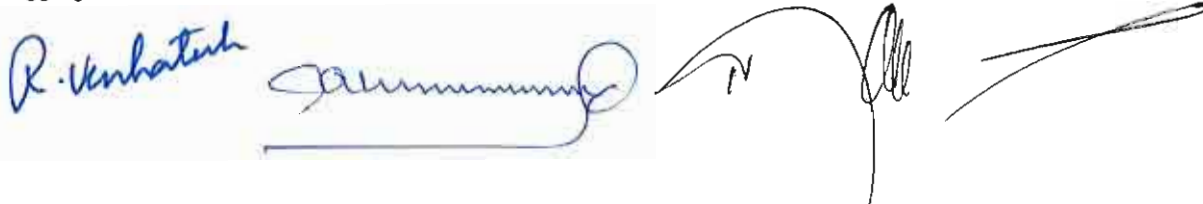
Public liability

For public liability insurance, main risks are legal liabilities of the Insured towards third party death, bodily injury or property damage arising out of Insured Premises, business operations or projects handled by the Insured.

This insurance policy is underwritten based on the turnover of the company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The company has reinsurance cover to limit the losses for any individual claim.

Sensitivity analysis

The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 10% change in the claims ratio would impact income by approximately SR 32,270,581 (2010: SR 21,668,202) annually in aggregate.

The image shows four distinct handwritten signatures or initials in blue ink. From left to right: the first is a cursive signature that appears to be 'R. Khateeb'; the second is a more stylized signature; the third consists of the letters 'TV' with a large, sweeping flourish above them; and the fourth is a long, horizontal, slightly wavy line.

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

21 RISK MANAGEMENT (continued)

b) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its reinsurance programs.

c) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its time deposits and cash and cash equivalents.

The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2011. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2011 would impact special commission income by approximately SR 10,581 (2010: SR 10,484) over the remaining period of maturity.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company' exposure to credit risk:

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom Cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December 2011		31 December 2010	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Assets				
Reinsurers' share of outstanding claims	153,104,202	-	126,481,376	-
Premiums and insurance balances receivable	87,850,300	-	128,831,753	-
Due from related parties	94,817,399	-	102,138,512	-
Time deposits	25,050,833	51,673,681	-	64,465,229
Cash equivalents	32,398,717	4,396,888	44,699,641	4,335,898
Statutory deposit	-	10,000,000	-	10,000,000
	<u>393,221,451</u>	<u>66,070,569</u>	<u>402,151,282</u>	<u>78,801,127</u>

R. Venkatesh
Saleem

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

21 RISK MANAGEMENT (continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurance share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
ASSETS						
Reinsurers' share of outstanding claims	153,104,202	-	153,104,202	-	-	-
Premiums and insurance balances receivable	87,850,300	-	87,850,300	-	-	-
Prepayments and other assets	6,947,278	-	6,947,278	665,815	-	665,815
Due from related parties	94,817,399	-	94,817,399	-	-	-
Due from insurance operations	-	-	-	438,536	-	438,536
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Time deposits	25,050,833	-	25,050,833	51,673,681	-	51,673,681
Cash and cash equivalents	32,420,717	-	32,420,717	4,396,888	-	4,396,888
TOTAL ASSETS	400,190,729	-	400,190,729	57,174,920	10,000,000	67,174,920

	31 December 2011					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
LIABILITIES						
Gross outstanding claims	230,041,134	-	230,041,134	-	-	-
Unearned commission income	18,724,964	-	18,724,964	-	-	-
Due to related parties	565,071	-	565,071	-	-	-
Employees' end of service benefits	-	4,473,811	4,473,811	-	-	-
Reinsurance balances payable	39,963,508	-	39,963,508	-	-	-
Accrued expenses and other liabilities	26,469,610	-	26,469,610	-	-	-
Zakat payable	-	-	-	1,919,551	-	1,919,551
Accounts payable	-	-	-	857,808	-	857,808
Due to shareholder operations	438,536	-	438,536	-	-	-
TOTAL LIABILITIES	316,202,823	4,473,811	320,676,634	2,777,359	-	2,777,359

R. Khalaf

Sahumunmy

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

21 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2010					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
ASSETS						
Reinsurers' share of outstanding claims	126,481,376	-	126,481,376	-	-	-
Premiums and insurance balances receivable	128,831,753	-	128,831,753	-	-	-
Prepayments and other assets	4,203,303	-	4,203,303	603,354	-	603,354
Due from related parties	102,138,512	-	102,138,512	-	-	-
Time deposits	-	-	-	64,465,229	-	64,465,229
Cash and cash equivalents	44,710,641	-	44,710,641	4,335,898	-	4,335,898
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Due from shareholders operations	4,798,774	-	4,798,774	-	-	-
TOTAL ASSETS	411,164,359	-	411,164,359	69,404,481	10,000,000	79,404,481

	31 December 2010					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
LIABILITIES						
Gross outstanding claims	211,888,446	-	211,888,446	-	-	-
Unearned commission income	17,820,680	-	17,820,680	-	-	-
Due to related parties	11,188,765	-	11,188,765	-	-	-
Employees' end of service benefits	-	3,148,986	3,148,986	-	-	-
Reinsurance balances payable	43,867,540	-	43,867,540	-	-	-
Accrued expenses and other liabilities	22,991,546	-	22,991,546	-	-	-
Zakat payable	-	-	-	1,748,440	-	1,748,440
Accounts payable	-	-	-	700,477	-	700,477
Due to insurance operations	-	-	-	4,798,774	-	4,798,774
TOTAL LIABILITIES	307,756,977	3,148,986	310,905,963	7,247,691	-	7,247,691

Liquidity profile

None of the liabilities on the statement of financial position are based on discounted cash flows and except employees end of service benefits, all are contractually payable on a current basis within 1 year.

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation, as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.

R. Venkatesh

[Signature]

[Signature]

[Signature]

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

21 RISK MANAGEMENT (continued)

g) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

h) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements within the jurisdiction where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

i) Fair values of financial instruments

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include Cash and cash equivalents, statutory deposit, due from related parties; its financial liabilities consist of gross outstanding claims and payables. Accounting policies for financial assets and liabilities are set out in note 5.

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of the Company's statutory deposit, receivables, due from related parties, cash and cash equivalents, and payables are not materially different from their carrying values. There are no assets or liabilities carried at fair value in these financial statements.

22 CONTINGENCIES AND COMMITMENTS

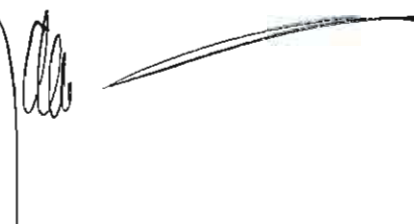
a) Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b) Operating lease commitments

The minimum future lease payments for the use of the Company's premises total SR 1,323,424 payable during 2012 and after (2010: 1,803,570, payable during 2011 and after).

R. Venkatesh



SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

23 NET UNDERWRITING SURPLUS

Net underwriting surplus for the year is as follows:

	<i>31 December</i> 2011 SR	<i>31 December</i> 2010 SR
Net premiums earned	322,705,804	216,682,021
Commission income	48,978,378	34,023,406
Policy acquisition costs	(62,680,254)	(51,558,086)
Net claims incurred	(257,873,272)	(167,131,130)
Net underwriting surplus	<u><u>51,130,656</u></u>	<u><u>32,016,211</u></u>

24 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share for the year has been calculated by dividing the net loss for the year by the ordinary authorised, issued and outstanding shares at the year end of 10 million shares (2010: 10 million shares).

25 COMPARATIVE INFORMATION

Certain of the prior year numbers have been reclassified to conform to the presentation in the current year.

26 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 30 Rabi Al-Awal 1433 corresponding to 22 February 2012.

