

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

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

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
30 JUNE 2012**

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Saudi Arabia

**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 June 2012, and the related interim statements of insurance operations and accumulated surplus, shareholders’ operation and comprehensive income for three-month and six-month periods then ended and the related interim statements of changes in shareholders’ equity, insurance operations’ cash flows and shareholders’ cash flows for the six-month period then ended. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on review of interim financial statements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A limited review consists principally of analytical procedures applied to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Conclusion**

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

**Emphasis of matter**

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

**for Ernst & Young**

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Certified Public Accountant  
Licence No. 393

**for Al Bassam**

**Certified Public Accountants & Consultants**

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Certified Public Accountant  
Licence No. 337



2 Ramadan 1433H  
21 July 2012  
Jeddah, Kingdom of Saudi Arabia

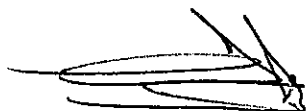


Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) SR'000	31 December 2011 (Audited) SR'000
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	3	30,180	43,560
Term deposits	3	23,993	23,993
Premium receivables, net	4	57,337	39,650
Reinsurance receivables		8,333	7,457
Deferred policy acquisition costs		5,190	10,109
Prepayments and other receivables		8,931	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		14,207	14,058
Reinsurers' share of outstanding claims		13,740	15,128
Held to maturity investments	5 (b)	13,695	13,697
Furniture, fittings and office equipment		5,769	6,029
Due from shareholders' fund		2,892	-
<b>Total insurance operations' assets</b>		<b>194,124</b>	<b>187,994</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	3	30,786	29,373
Term deposits	3	20,000	10,000
FVIS investments	5 (a)	3,408	3,269
Available for sale investments	5 (c)	8,283	20,385
Prepayments and other receivables		226	79
Due from insurance operations' fund		-	6,818
Held to maturity investments	5 (b)	8,717	8,722
Goodwill	1	7,140	7,140
Statutory deposit		10,698	10,643
<b>Total shareholders' assets</b>		<b>89,258</b>	<b>96,429</b>
<b>TOTAL ASSETS</b>		<b>283,382</b>	<b>284,423</b>



Chief Financial Officer



Chief Executive Officer



Chairman

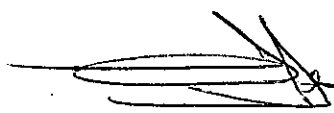
The accompanying notes 1 to 11 form part of these interim condensed financial statements.


Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

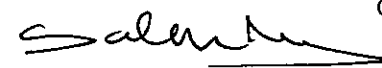
INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2012

	<i>Notes</i>	<i>30 June 2012 (Unaudited) SR'000</i>	<i>31 December 2011 (Audited) SR'000</i>
<b>INSURANCE OPERATIONS' LIABILITIES AND SURPLUS</b>			
<b>Insurance operations' liabilities</b>			
Unearned premiums		116,289	102,611
Provision for premium deficiency		63	63
Unearned commission income		1,205	1,182
Outstanding claims		41,870	46,845
Policyholders' claims		9,106	8,361
Reinsurance payables		5,623	4,878
Other payables		10,927	8,193
Due to shareholders' fund		-	6,818
Employees' terminal benefits		6,027	6,029
		<u>191,110</u>	<u>184,980</u>
<b>Insurance operations' surplus</b>			
Accumulated surplus from insurance operations		3,014	3,014
		<u>3,014</u>	<u>3,014</u>
<b>Total insurance operations' liabilities and surplus</b>		<u>194,124</u>	<u>187,994</u>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accruals and other payables		2,141	2,070
Zakat provision	6	1,856	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
Due to insurance operations' fund		2,892	-
		<u>14,079</u>	<u>11,438</u>
<b>Total shareholders' liabilities</b>		<u>14,079</u>	<u>11,438</u>
<b>Shareholders' equity</b>			
Share capital		100,000	100,000
Accumulated losses		(26,181)	(19,748)
Available for sale investments reserve		1,360	4,739
		<u>75,179</u>	<u>84,991</u>
<b>Total shareholders' equity</b>		<u>75,179</u>	<u>84,991</u>
<b>Total shareholders' liabilities and equity</b>		<u>89,258</u>	<u>96,429</u>
<b>TOTAL LIABILITIES, SURPLUS AND EQUITY</b>		<u>283,382</u>	<u>284,423</u>

  
 Chief Financial Officer

  
 Chief Executive Officer

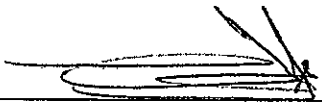
  
 Chairman

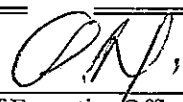
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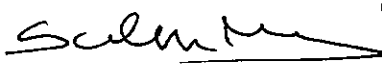
Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company  
**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS**

For the three-month and six-month periods ended 30 June 2012

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</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>
<b>Revenues</b>				
Gross premiums written	52,233	69,742	131,307	120,573
Less: Reinsurance premiums ceded	(7,171)	(11,611)	(16,361)	(22,655)
Less: Excess of loss premiums	(551)	(1,083)	(1,251)	(1,543)
Net premiums written	44,511	57,048	113,695	96,375
Changes in net unearned premiums	6,536	(29,994)	(13,528)	(44,032)
Net premiums earned	51,047	27,054	100,167	52,343
Net reinsurance commissions earned	759	852	1,575	1,871
Net revenue	51,806	27,906	101,742	54,214
<b>Costs and expenses</b>				
Gross claims paid	48,759	31,966	97,441	70,228
Less: Reinsurers' share	(9,216)	(7,921)	(15,936)	(21,548)
Net claims paid	39,543	24,045	81,505	48,680
Changes in net outstanding claims	569	(5,164)	(3,587)	(17,778)
Net claims incurred	40,112	18,881	77,918	30,902
Policy acquisition costs	4,390	2,124	9,498	3,509
Other operating expenses	1,344	2,358	3,140	3,844
Net costs and expenses	45,846	23,363	90,556	38,255
Net results of insurance operations	5,960	4,543	11,186	15,959
General and administrative expenses	(12,292)	(4,847)	(21,622)	(11,302)
Other income	-	509	210	509
Investment income	297	251	615	471
<b>(Deficit)/surplus from insurance operations</b>	<b>(6,035)</b>	<b>456</b>	<b>(9,611)</b>	<b>5,637</b>
Shareholders' share of insurance operations' deficit/(surplus)	2(a) 6,035	(410)	9,611	(5,073)
<b>Surplus for the period</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>564</b>
Accumulated surplus at the beginning of the period	3,014	3,041	3,014	2,523
Accumulated surplus at the end of the period	3,014	3,087	3,014	3,087

  
 Chief Financial Officer

  
 Chief Executive Officer

  
 Chairman

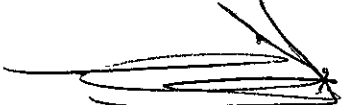
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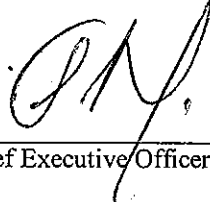
Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company


INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

For the three-month and six-month periods ended 30 June 2012

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2012 (Unaudited) SR'000	2011 (Unaudited) SR'000	2012 (Unaudited) SR'000	2011 (Unaudited) SR'000
<b>REVENUES</b>					
Shareholders' share of insurance operations' (deficit)/surplus	1	(6,035)	410	(9,611)	5,073
Investment (loss) /income		(139)	239	673	303
Gain on sale of available for sale investments		3,602	-	3,602	-
Other income		-	20	-	20
Total revenues		(2,572)	669	(5,336)	5,396
<b>EXPENSES</b>					
General and administration		(157)	(185)	(197)	(212)
Net (loss)/ profit for the period before Zakat		(2,729)	484	(5,533)	5,184
Zakat		(450)	(450)	(900)	(900)
Net (loss)/profit for the period		(3,179)	34	(6,433)	4,284
Weighted average number of ordinary shares outstanding (in thousands)		10,000	10,000	10,000	10,000
Basic and diluted (loss)/earnings per share - (SR)		(0.318)	0.003	(0.643)	0.428

  
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 six-month periods ended 30 June 2012

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</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 (loss)/ profit for the period	(3,179)	34	(6,433)	4,284
Change in value of available for sale investments	(2,218)	679	223	580
<b>Total comprehensive (loss)/income for the period</b>	<b>(5,397)</b>	<b>713</b>	<b>(6,210)</b>	<b>4,864</b>



Chief Financial Officer



Chief Executive Officer



Chairman

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



Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company


INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

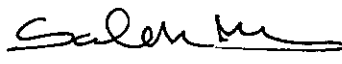
For the six-month period ended 30 June 2012

	<i>For the six-month period ended 30 June 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	-	(6,433)	-	(6,433)
Other comprehensive income for the period	-	-	223	223
Transfer to interim statement of shareholders' operations	-	-	(3,602)	(3,602)
<b>Balance at 30 June 2012 (unaudited)</b>	<b>100,000</b>	<b>(26,181)</b>	<b>1,360</b>	<b>75,179</b>

	<i>For the six-month period ended 30 June 2011</i>			
	<i>Share capital SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Available for sale investments reserve SR'000</i>	<i>Total SR'000</i>
Balance as at 31 December 2010 (audited)	100,000	(22,019)	4,486	82,467
Net profit for the period	-	4,284	-	4,284
Other comprehensive income for the period	-	-	580	580
<b>Balance at 30 June 2011 (unaudited)</b>	<b>100,000</b>	<b>(17,735)</b>	<b>5,066</b>	<b>87,331</b>

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

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

  
 \_\_\_\_\_  
 Chairman

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


Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

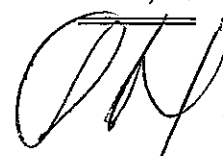
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

For the six-month period ended 30 June 2012

	<i>Six-month period ended 30 June 2012 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2011 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>		
Surplus for the period from the insurance operations	-	564
Adjustments for:		
Deferred policy acquisition costs	4,919	(5,479)
Unrealized gain on FVIS investments	5(a) (21)	(52)
Amortisation related to held to maturity investments	5(b) 2	-
Reinsurers share of unearned premiums	(149)	(6,583)
Unearned premiums	13,678	50,616
Unearned commission income	23	472
Depreciation	1,291	591
Employees end of service benefits, net	(2)	639
	<u>19,741</u>	<u>40,768</u>
Changes in operating assets and liabilities:		
Premium receivables, net	(17,687)	(22,372)
Reinsurance receivables	(876)	(2,013)
Prepayments and other receivables	(4,454)	(857)
Amount due from a related party	-	(4)
Reinsurers share of outstanding claims	1,388	489
Outstanding claims	(4,975)	(18,267)
Policyholders' claims	745	(323)
Reinsurance payables	745	1,706
Other payables	2,734	6,361
Due (form)/to shareholders' fund	(9,710)	3,285
Net cash (used in)/ from operating activities	<u>(12,349)</u>	<u>8,773</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of furniture, fittings and office equipment	(1,031)	(138)
Purchase of investments held for trading	-	(3,756)
Cash used in investing activities	<u>(1,031)</u>	<u>(3,894)</u>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(13,380)</u>	<u>4,879</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>43,560</u>	<u>47,689</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	3 <u>30,180</u>	<u>52,568</u>

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

  
 \_\_\_\_\_  
 Chairman

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

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

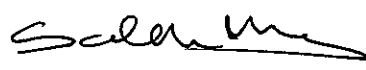
Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company


INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the six-month period ended 30 June 2012

	Notes	<i>Six-month period ended 30 June 2012 (Unaudited) SR'000</i>	<i>Six-month period ended 30 June 2011 (Unaudited) SR'000</i>
<b>OPERATING ACTIVITIES</b>			
Net (loss)/profit for the period before Zakat		(5,533)	5,184
Adjustments for:			
Unrealized gain on FVIS investments	5(a)	(139)	(60)
Gain on sale of available for sale investments	5(c)	(3,602)	-
Amortisation of held to maturity investments	5(b)	5	-
		<u>(9,269)</u>	<u>5,124</u>
Changes in operating assets and liabilities:			
Prepayment and other receivables		(147)	(9)
Due from/(to) insurance operations' fund		9,710	(3,285)
Statutory deposit		(55)	(65)
Accruals and other payables		71	(23)
Amount due to a related party		33	(88)
Zakat paid		(1,255)	(1,362)
Net cash (used in)/ from operating activities		<u>(912)</u>	<u>292</u>
<b>INVESTING ACTIVITIES</b>			
Investment in term deposits		(10,000)	-
Disposal of available for sale investments	5(c)	12,325	-
Net cash from investing activities		<u>2,325</u>	<u>-</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,413</b>	<b>292</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>29,373</b>	<b>42,535</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b><u>30,786</u></b>	<b><u>42,827</u></b>
<b>MAJOR NON-CASH TRANSACTIONS</b>			
Change in fair value of available for sale investments		<u>223</u>	<u>(580)</u>

  
Chief Financial Officer

  
Chairman

  
Chief Executive Officer

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

# Saudi IAIC Cooperative Insurance Company – A Saudi Joint Stock Company

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 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 June 2012. The goodwill payments are governed by rules and regulations issued by SAMA in this regard and also subject to SAMA approval. In case the Company is not able to pay the goodwill before the end of 2015, the goodwill will be set off against the amount payable in this regard and as such no impairment testing of goodwill has been performed by the management.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 2a Basis of presentation

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are consistent with those used for the preparation of annual financial statements.

These interim condensed financial statements for the three-month and six-month periods ended 30 June 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 June 2012

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

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

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

Shareholders	90%
Policyholders	10%
	100%
	100%

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities except for investments held to maturity are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

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

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

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

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

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

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

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

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3 CASH AND CASH EQUIVALENTS AND TERM DEPOSITS

	<i>Six-month period ended 30 June 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
<b>a) Cash and cash equivalents</b>		
<i>Insurance Operations</i>		
Cash on hand and at banks	30,180	43,560
<i>Shareholders' Operations</i>		
Cash at banks	15,100	13,758
Money market funds	15,686	15,615
	<u>30,786</u>	<u>29,373</u>
<b>b) Term deposits</b>		
<i>Insurance Operations</i>		
Term deposits	23,993	23,993
<i>Shareholders' Operations</i>		
Term deposits	20,000	10,000

Term deposits of insurance operations include an amount of SR 3,750 thousand (2011: SR 3,750 thousand) being the carrying value of the host contract in respect of a structured deposit. The deposit is 100% principal protected and the maturity date is 5 July 2012. The return on the deposit is linked to a basket of different currencies and the characteristics of this embedded derivative are not closely related to the host contract. The fair value of the embedded derivative as at 30 June 2012 is negative and immaterial in value. However, as the deposit is 100% principal protected, it will have no impact on the financial statements of the Company.

4 PREMIUM RECEIVABLES, NET

	<i>Six-month period ended 30 June 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
Due from policyholders	58,154	52,676
Due from policy holders – related parties	23,164	8,648
Provision for doubtful debts	(23,981)	(21,674)
	<u>57,337</u>	<u>39,650</u>

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5 INVESTMENTS

a) FVIS investments

*Insurance operations*

Movement in FVIS investments is as follows:

	<i>Six-month period ended 30 June 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>Six-month period ended 30 June 2012 (Unaudited) SR'000</i>	<i>Year ended 31 December 2011 (Audited) SR'000</i>
Balance at the beginning of the period/year	3,269	3,257
Changes in fair value of investments	139	12
	<u>3,408</u>	<u>3,269</u>

b) Held to maturity investments

*Insurance operations*

Movement in investments held to maturity is as follows:

	<i>Six-month period ended 30 June 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	(2)	-
	<u>13,695</u>	<u>13,697</u>

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

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5 INVESTMENTS (continued)

b) Held to maturity investments (continued)

*Shareholders' operations*

Movement in investments held to maturity is as follows:

	<i>Six-month period ended 30 June 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
Amortized during the period/year	(5)	-
Balance at the end of the period/year	<u>8,717</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 is as follows:

<i>Six-month period ended 30 June 2012 (Unaudited)</i>	<i>Quoted securities SR'000</i>	<i>Unquoted securities SR'000</i>	<i>Total SR'000</i>
Balance at the beginning of the period	18,462	1,923	20,385
Disposed during the period (see note (b) below)	(12,325)	-	(12,325)
Changes in fair value of investments	223	-	223
Balance at the end of the period	<u>6,360</u>	<u>1,923</u>	<u>8,283</u>
<i>Year ended 31 December 2011 (Audited)</i>	<i>Quoted securities SR'000</i>	<i>Unquoted securities SR'000</i>	<i>Total SR'000</i>
Balance at the beginning of the year	18,209	1,923	20,132
Changes in fair value of investments	253	-	253
Balance at the end of the year	<u>18,462</u>	<u>1,923</u>	<u>20,385</u>

(a) Available for sale investments, having a carrying value of SR 8,283 thousand (2011: SR 20,385 thousand) have been measured at fair value, except of SR 1,923 thousand (2011: SR 1,923 thousand) which has been measured at cost as its fair value cannot be reliably measured due to the absence of active market and unavailability of observable market prices for similar instruments.

(b) During the six-month period 30 June 2012, the Company sold its investment with a cost price of SR 8,723 in SAMBA's Discretionary Portfolio Management for total amount of 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.



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**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 six-month period ended 30 June 2012 and for the year ended 31 December 2011 are as follows:

	<i>30 June 2012 (Unaudited) SR'000 SR'000</i>	<i>31 December 2011 (Audited) SR'000 SR'000</i>
Balance at the beginning of the period/year	2,211	1,773
Charge for the period/year	900	1,800
Paid during the period/year	(1,255)	(1,362)
Balance at the end of the period/year	<u>1,856</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 June 2012 (Unaudited) SR'000</i>	<i>30 June 2011 (Unaudited) SR'000</i>
<b>a) Insurance Operations</b>			
Islamic Arab Insurance Company (B.S.C.) – (an affiliate)	Salvage and premiums collection on behalf of the Company	-	3
<b>b) Shareholders</b>			
Islamic Arab Insurance Company (B.S.C) – (founding shareholder)	Payments and settlements	-	88
Senior executives	Remunerations	891	964
Board of directors	Remunerations	38	82
Audit committee	Remunerations	31	-

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

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

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**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, furniture, fittings and office equipment and due from shareholders operations

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

Consistent with the Company's internal reporting process, operating segments have been approved by the management in respect of the Company's activities, assets and liabilities as stated below:

<b>For the three-month period ended 30 June 2012</b>	<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	11,209	37,370	3,654	52,233
Less: Reinsurance premiums ceded	(4,516)	-	(2,655)	(7,171)
Less: Excess of loss premiums	-	(347)	(204)	(551)
Net premium written	6,693	37,023	795	44,511
Changes in net unearned premiums	1,504	5,161	(129)	6,536
Net premiums earned	8,197	42,184	666	51,047
Net reinsurance commissions earned	-	-	759	759
Net revenue	8,197	42,184	1,425	51,806
Gross claims paid	17,888	30,483	388	48,759
Less: Reinsurers share	(8,947)	-	(269)	(9,216)
Net claims paid	8,941	30,483	119	39,543
Changes in outstanding claims	(940)	1,068	441	569
Net claims incurred	8,001	31,551	560	40,112
Policy acquisition costs	723	3,474	193	4,390
Other operating expenses	970	315	59	1,344
Net costs and expenses	9,694	35,340	812	45,846
Net results of insurance operations	(1,497)	6,844	613	5,960
Unallocated expenses				(12,292)
Investment income				297
Deficit from insurance operations				(6,035)

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8 SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<b>For the six-month period ended 30 June 2012</b>				
Gross premium written	25,678	97,477	8,152	131,307
Less: Reinsurance premiums ceded	(10,296)	-	(6,065)	(16,361)
Less: Excess of loss premiums	-	(694)	(557)	(1,251)
Net premium written	15,382	96,783	1,530	113,695
Changes in net unearned premiums	1,795	(15,142)	(181)	(13,528)
Net premiums earned	17,177	81,641	1,349	100,167
Net reinsurance commissions earned	-	-	1,575	1,575
Net revenue	17,177	81,641	2,924	101,742
Gross claims paid	30,691	65,563	1,187	97,441
Less: Reinsurers share	(15,355)	(57)	(524)	(15,936)
Net claims paid	15,336	65,506	663	81,505
Changes in outstanding claims	(871)	(2,729)	13	(3,587)
Net claims incurred	14,465	62,777	676	77,918
Policy acquisition costs	1,612	7,468	418	9,498
Other operating expenses	2,081	914	145	3,140
Net costs and expenses	18,158	71,159	1,239	90,556
Net results of insurance operations	(981)	10,482	1,685	11,186
Unallocated expenses				(21,622)
Unallocated other income				210
Investment income				615
Deficit from insurance operations				(9,611)
	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<b>As at 30 June 2012</b>				
<b>Insurance operations' assets</b>				
Reinsurer's share of unearned premiums	9,374	-	4,833	14,207
Reinsurer's share of outstanding claims	7,630	46	6,064	13,740
Deferred policy acquisition costs	1,013	3,796	381	5,190
Unallocated assets	-	-	-	160,987
<b>Total insurance operations' assets</b>				<b>194,124</b>
<b>Insurance operations' liabilities</b>				
Unearned premium	23,606	86,110	6,573	116,289
Outstanding claims	15,274	16,409	10,187	41,870
Unearned commission income	-	-	1,205	1,205
Provision for premium deficiency	-	-	63	63
Unallocated liabilities and surplus				34,697
<b>Total insurance operations' liabilities and surplus</b>				<b>194,124</b>

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8 SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<b>For the three-month period ended 30 June 2011</b>				
Gross premium written	19,949	43,392	6,401	69,742
Less: Reinsurance premiums ceded	(7,496)	(19)	(4,096)	(11,611)
Less: Excess of loss premiums	-	(202)	(881)	(1,083)
Net premium written	12,453	43,171	1,424	57,048
Changes in net unearned premiums	(4,806)	(24,114)	(1,074)	(29,994)
Net premiums earned	7,647	19,057	350	27,054
Net reinsurance commissions earned	-	-	852	852
Net revenue	7,647	19,057	1,202	27,906
Gross claims paid	8,827	21,929	1,210	31,966
Less: Reinsurers share	(4,426)	(2,648)	(847)	(7,921)
Net claims paid	4,401	19,281	363	24,045
Changes in outstanding claims	(63)	(5,712)	611	(5,164)
Net claims incurred	4,338	13,569	974	18,881
Policy acquisition costs	805	1,037	282	2,124
Other operating expenses	1,699	326	333	2,358
Net costs and expenses	6,842	14,932	1,589	23,363
Net results of insurance operations	805	4,125	(387)	4,543
Unallocated expenses				(4,847)
Unallocated other income				509
Investment income				251
Surplus from insurance operations				456

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8 SEGMENTAL INFORMATION (continued)

	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<b>For the six-month period ended 30 June 2011</b>				
Gross premium written	37,211	70,788	12,574	120,573
Less: Reinsurance premiums ceded	(14,247)	(19)	(8,389)	(22,655)
Less: Excess of loss premiums	-	(404)	(1,139)	(1,543)
Net premium written	22,964	70,365	3,046	96,375
Changes in net unearned premiums	(7,802)	(34,625)	(1,605)	(44,032)
Net premiums earned	15,162	35,740	1,441	52,343
Net reinsurance commissions earned	-	-	1,871	1,871
Net revenue	15,162	35,740	3,312	54,214
Gross claims paid	17,309	40,496	12,423	70,228
Less: Reinsurers share	(8,616)	(2,648)	(10,284)	(21,548)
Net claims paid	8,693	37,848	2,139	48,680
Changes in outstanding claims	(113)	(15,834)	(1,831)	(17,778)
Net claims incurred	8,580	22,014	308	30,902
Policy acquisition costs	1,426	1,505	578	3,509
Other operating expenses	2,886	524	434	3,844
Net costs and expenses	12,892	24,043	1,320	38,255
Net results of insurance operations	2,270	11,697	1,992	15,959
Unallocated expenses				(11,302)
Unallocated other Income				509
Unallocated investment income				471
Surplus from insurance operations				5,637
	<i>Medical</i> <i>SR'000</i>	<i>Motor</i> <i>SR'000</i>	<i>Other</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<b>As at 31 December 2011</b>				
Reinsurer's share of unearned premiums	9,774	7	4,277	14,058
Reinsurer's share of outstanding claims	8,514	419	6,195	15,128
Deferred policy acquisition costs	1,622	8,247	240	10,109
Unallocated assets				148,699
Total insurance operations' assets				187,994
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
Total insurance operations' liabilities and surplus				187,994

**9 CAPITAL COMMITMENTS**

At 30 June 2012, the Company had outstanding capital commitments amounting to SR 0.5 million (31 December 2011: SR 0.15 million).

**10 CONTINGENT LIABILITIES**

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

**11 BOARD OF DIRECTORS' APPROVAL**

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