

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2012

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

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**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 2012 and the related statements of insurance comprehensive 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 statement 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 2012 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 By-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 insurance portfolio and related net assets of the Saudi operations of an affiliate insurance company.

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13 Rabi Thani 1434H
23 February 2013

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

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	Notes	31 December 2012 SR	31 December 2011 SR
INSURANCE OPERATIONS' ASSETS			
Property and equipment	8	7,228,790	7,242,382
Reinsurers' share of outstanding claims	9 (a)	256,766,443	153,104,202
Reinsurers' share of unearned premiums	9 (b)	93,068,705	100,712,005
Deferred policy acquisition costs	9 (d)	22,169,402	23,348,928
Premiums and insurance balances receivable	10	93,752,665	87,850,300
Prepayments and other assets	11	8,489,545	6,947,278
Due from related parties	12	117,418,062	94,817,399
Time deposits	13	50,257,231	25,050,833
Cash and cash equivalents	14	42,370,837	32,420,717
TOTAL INSURANCE OPERATIONS' ASSETS		691,521,680	531,494,044
SHAREHOLDERS' ASSETS			
Statutory deposit	15	10,000,000	10,000,000
Due from insurance operations		4,911,642	438,536
Prepayments and other assets	11	1,215,881	665,815
Time deposits	13	66,132,644	51,673,681
Cash and cash equivalents	14	532,174	4,396,888
TOTAL SHAREHOLDERS' ASSETS		82,792,341	67,174,920
TOTAL ASSETS		774,314,021	598,668,964


Abdulaziz. A. Abussuud
Board Member


Mohan Varghese
Chief Financial Officer


Hassan Abdulla Dorar Ali
President & CEO

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


STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 DECEMBER 2012

	Notes	31 December 2012 SR	31 December 2011 SR
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	9 (a)	336,631,993	230,041,134
Gross unearned premiums	9 (b)	221,951,363	210,817,410
Unearned commission income	9 (c)	19,728,071	18,724,964
Due to related parties	12	331,890	565,071
Employees' end-of-service benefits		5,834,597	4,473,811
Reinsurance balances payable	17	66,703,152	39,963,508
Accrued expenses and other liabilities	18	33,528,418	26,469,610
Due to shareholders' operations		4,911,642	438,536
TOTAL INSURANCE OPERATIONS' LIABILITIES		689,621,126	531,494,044
INSURANCE OPERATIONS' SURPLUS			
Net surplus from insurance operations after shareholders' appropriation		1,900,554	-
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		691,521,680	531,494,044
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Provision for Zakat	20	2,396,433	1,919,551
Accounts payable		1,703,409	857,808
TOTAL SHAREHOLDERS' LIABILITIES		4,099,842	2,777,359
SHAREHOLDERS' EQUITY			
Share capital	19	100,000,000	100,000,000
Accumulated losses		(21,307,501)	(35,602,439)
TOTAL SHAREHOLDERS' EQUITY		78,692,499	64,397,561
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		82,792,341	67,174,920
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		774,314,021	598,668,964



Mohan Varghese
Chief Financial Officer


Abdulaziz A. Abussuud
Board Member



Hassan Abdulla Dorar Ali
President & CEO


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

STATEMENT OF INSURANCE COMPREHENSIVE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Notes</i>	<i>31 December 2012 SR</i>	<i>31 December 2011 SR</i>
REVENUE			
Gross written premiums	9 (b)	567,917,057	548,443,798
Reinsurance premium ceded	9 (b)	(254,549,760)	(234,268,307)
Excess of loss premiums		(12,851,303)	(11,869,718)
NET WRITTEN PREMIUMS		300,515,994	302,305,773
Movement in unearned premiums		(18,777,253)	20,400,031
NET PREMIUMS EARNED		281,738,741	322,705,804
Commission income	9 (c)	57,790,383	48,978,378
Other income		3,079,859	5,939,639
Special commission income on time deposits		393,300	76,476
TOTAL REVENUE		343,002,283	377,700,297
COSTS AND EXPENSES			
Gross claims paid	9 (a)	280,832,963	344,224,337
Reinsurers' share of claims paid	9 (a)	(77,502,803)	(77,880,927)
NET CLAIMS PAID		203,330,160	266,343,410
Movement in outstanding claims		2,928,618	(8,470,138)
NET CLAIMS INCURRED	9 (a)	206,258,778	257,873,272
Policy acquisition costs	9 (d)	56,302,343	62,680,254
General and administration expenses	21	52,527,306	48,212,203
Provision for doubtful receivables	10	3,687,267	9,230,964
Inspection and supervision fees		5,221,051	5,003,528
TOTAL COSTS AND EXPENSES		323,996,745	383,000,221
NET SURPLUS/(DEFICIT) FROM INSURANCE OPERATIONS		19,005,538	(5,299,924)
Shareholders' appropriation from (surplus)/deficit		(17,104,984)	5,299,924
Net surplus from insurance operations after shareholders' appropriation		1,900,554	-


Mohan Varghese
Chief Financial Officer


Abdulaziz A. Abussuud
Board Member


Hassan Abdulla Dorar Ali
President & CEO

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

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Notes</i>	<i>31 December 2012 SR</i>	<i>31 December 2011 SR</i>
Appropriation of surplus/(deficit) from insurance operations		17,104,984	(5,299,924)
Special commission income on time deposits		420,011	199,734
General and administration expenses	21	(1,056,706)	(981,418)
INCOME/(LOSS) BEFORE ZAKAT		16,468,289	(6,081,608)
Zakat	20	(2,173,351)	(1,677,621)
NET INCOME / (LOSS) FOR THE YEAR		14,294,938	(7,759,229)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Change in fair value of available for sale investments		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		14,294,938	(7,759,229)
EARNINGS/(LOSSES) PER SHARE			
Basic and diluted earnings/(losses) per share for the year	26	1.43	(0.78)


Abdulaziz. A. Abussuud
 Board Member



Mohan Varghese
 Chief Financial Officer


Hassan Abdulla Dorar Ali
 President & CEO

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 1 January 2011	100,000,000	(27,843,210)	72,156,790
Total comprehensive loss for the year	-	(7,759,229)	(7,759,229)
Balance at 31 December 2011	100,000,000	(35,602,439)	64,397,561
Total comprehensive income for the year	-	14,294,938	14,294,938
Balance at 31 December 2012	100,000,000	(21,307,501)	78,692,499


Abdulaziz. A. Abussuud
Board Member


Mohan Varghese
Chief Financial Officer

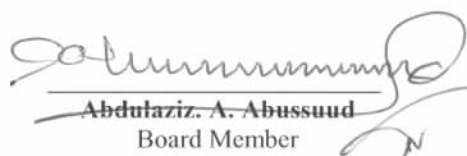

Hassan Abdulla Dorar Ali
President & CEO


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

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
Note	SR	SR
OPERATING ACTIVITIES		
Net surplus from insurance operations after shareholders' appropriation	1,900,554	-
Adjustments for:		
Depreciation	3,775,746	2,889,683
Provision for doubtful receivables	3,687,267	9,230,964
Employees' end-of-service benefits, net	1,360,786	1,324,825
Shareholders' appropriation from surplus/(deficit)	17,104,984	(5,299,924)
Gain on sale of property and equipment	-	(414)
Income before changes in operating assets and liabilities	27,829,337	8,145,134
Changes in operating assets and liabilities:		
Reinsurers' share of outstanding claims	(103,662,241)	(26,622,826)
Reinsurer' share of unearned premiums	7,643,300	(10,497,885)
Deferred policy acquisition costs	1,179,526	2,282,959
Premiums and insurance balances receivable	(9,589,632)	31,750,489
Prepayments and other assets	(1,542,267)	(2,743,975)
Due from related parties	(22,600,663)	7,321,113
Gross outstanding claims	106,590,859	18,152,688
Gross unearned premiums	11,133,953	(9,902,146)
Unearned commission income	1,003,107	904,284
Due to related parties	(233,181)	(10,623,694)
Reinsurance balances payable	26,739,644	(3,904,032)
Accrued expenses and other liabilities	7,058,808	3,478,064
Net cash from operating activities	51,550,550	7,740,173
INVESTING ACTIVITIES		
Time deposits, net	(25,206,398)	(25,050,833)
Purchase of property and equipment	(3,762,154)	(5,518,523)
Proceeds from sale of property and equipment	-	2,025
Net cash used in investing activities	(28,968,552)	(30,567,331)
FINANCING ACTIVITY		
Due (to) / from shareholders operations, net	(12,631,878)	10,537,234
Net cash (used in) / from financing activity	(12,631,878)	10,537,234
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	9,950,120	(12,289,924)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	32,420,717	44,710,641
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	42,370,837	32,420,717


Mohan Varghese
Chief Financial Officer



Abdulaziz A. Abussuud
Board Member


Hassan Abdulla Dorar Ali
President & CEO


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

STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Note</i>	<i>31 December 2012 SR</i>	<i>31 December 2011 SR</i>
OPERATING ACTIVITIES			
Income/(loss) before zakat		16,468,289	(6,081,608)
Adjustment for:			
Appropriation of (surplus) / deficit from insurance operations		(17,104,984)	5,299,924
Loss before changes in operating assets and liabilities		(636,695)	(781,684)
Changes in operating assets and liabilities:			
Prepayments and other assets		(550,066)	(62,461)
Accounts payable		845,601	157,331
Cash used in operations		(341,160)	(686,814)
Zakat paid		(1,696,469)	(1,506,510)
Net cash used in operating activities		(2,037,629)	(2,193,324)
INVESTING ACTIVITY			
Time deposits, net		(14,458,963)	12,791,548
Net cash (used in)/from investing activity		(14,458,963)	12,791,548
FINANCING ACTIVITY			
Due from/(to) insurance operations		12,631,878	(10,537,234)
Net cash from/(used in) financing activity		12,631,878	(10,537,234)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(3,864,714)	60,990
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,396,888	4,335,898
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	532,174	4,396,888


Abdulaziz A. Abussaud
Board Member


Mohan Varghese
Chief Financial Officer


Hassan Abdulla Dorar Ali
President & CEO

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

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 ("SAMA") 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 entered 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 (a shareholder of the Company) operations in the Kingdom of Saudi Arabia (the Saudi operations) at a valuation to be approved by SAMA.

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 Company is dependent on the final approval from SAMA to determine and account for the net results which would be transferred from the Saudi operations. The transfer will take effect 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 for the year ended 31 December 2012 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS). Accordingly these financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA).

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 determined by the management and Board of Directors.

Moham Varghem

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

3 BASIS OF PREPARATION (continued)

Functional and presentational currency

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

4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendment to IFRS effective for the annual period beginning as of 1 January 2012:

Amendment to IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

5 STANDARD AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**
The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to income or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.
- **IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32**
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.
- **IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

- **IFRS 9 Financial Instruments: Classification and Measurement**
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

Moham Varghese

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

5 STANDARD AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

6 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.

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incept. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

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 comprehensive operations. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

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







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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 comprehensive operations. Gross outstanding claims comprise gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as of the financial 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 financial reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of insurance comprehensive 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 financial 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 comprehensive operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy tests.

Reinsurance

Reinsurance contracts are contracts entered into by the Company with reinsurers during the normal course of business 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 financial 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 comprehensive operations.

Expense Recognition

Expenses are recognized in statements of insurance comprehensive operations and shareholders' comprehensive operations when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of insurance comprehensive operations and shareholders' comprehensive operations on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses in the statements of insurance comprehensive operations and shareholders' comprehensive operations are presented using the function of expense method.

Moham. Varshen





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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 comprehensive 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 financial 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 comprehensive operations. Deferred policy acquisition cost is also considered in the liability adequacy test for each financial 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 comprehensive operations.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of insurance comprehensive operations and shareholders' comprehensive operations as they are consumed or expire with the passage of time.

Property and equipment

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

Zakat

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholder. Provisions for zakat charged to shareholders' accounts of the Saudi shareholders. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

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 comprehensive operations and shareholders' comprehensive operations on a straight-line basis over the lease term except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.







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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Segment 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 prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated at the rates of exchange prevailing at that date. All differences are taken to the statement of insurance comprehensive 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.

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

6 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 comprehensive 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 financial 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 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 financial 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, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statements of insurance comprehensive operations and shareholders' comprehensive operations.

When a financial asset is uncollectible, it is written off against the related provision for impairment. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

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 comprehensive 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 2012.

Mohan Varghese

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

7 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 financial reporting period, for which the insured event has occurred prior to the end of financial 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.

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.

Moham Varghese







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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

8 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 2011	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
Additions	171,635	10,458	3,490,561	89,500	3,762,154
31 December 2012	5,164,558	1,962,696	10,518,640	111,219	17,757,113
Accumulated depreciation:					
1 January 2011	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
Charge for the year	1,066,128	195,878	2,489,094	24,646	3,775,746
31 December 2012	3,803,010	846,890	5,849,215	29,208	10,528,323
Net book value:					
31 December 2012	1,361,548	1,115,806	4,669,425	82,011	7,228,790
31 December 2011	2,256,041	1,301,226	3,667,958	17,157	7,242,382

The depreciation charge for the year has been included in general and administration expenses (Note 21).

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

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

(a) Outstanding claims


	2012			2011		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Outstanding at end of the year						
IBNR	312,453,402	(256,766,443)	55,686,959	204,624,401	(153,104,202)	51,520,199
	24,178,591	-	24,178,591	25,416,733	-	25,416,733
	<u>336,631,993</u>	<u>(256,766,443)</u>	<u>79,865,550</u>	<u>230,041,134</u>	<u>(153,104,202)</u>	<u>76,936,932</u>
Insurance claims paid during the year	280,832,963	(77,502,803)	203,330,160	344,224,337	(77,880,927)	266,343,410
Outstanding at beginning 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>
Net claims incurred	<u>387,423,822</u>	<u>(181,165,044)</u>	<u>206,258,778</u>	<u>362,377,025</u>	<u>(104,503,753)</u>	<u>257,873,272</u>

(b) Unearned premiums

	2012			2011		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Unearned premiums at beginning of the year	210,817,410	(100,712,005)	110,105,405	220,719,556	(90,214,120)	130,505,436
Premiums written during the year	567,917,057	(254,549,760)	313,367,297	548,443,798	(234,268,307)	314,175,491
Premiums earned during the year	(556,783,104)	262,193,060	(294,590,044)	(558,345,944)	223,770,422	(334,575,522)
Unearned premiums at end of the year	<u>221,951,363</u>	<u>(93,068,705)</u>	<u>128,882,658</u>	<u>210,817,410</u>	<u>(100,712,005)</u>	<u>110,105,405</u>

(c) Unearned commission income

	2012 SR	2011 SR
Unearned commission income at beginning of the year	18,724,964	17,820,680
Commission received during the year	58,793,490	49,882,662
Commission earned during the year	(57,790,383)	(48,978,378)
Unearned commission income at end of the year	<u>19,728,071</u>	<u>18,724,964</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

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

(d) Deferred policy acquisition costs

	2012 SR	2011 SR
Deferred policy acquisition costs at beginning of the year	23,348,928	25,631,887
Incurred during the year	55,122,817	60,397,295
Amortised during the year	(56,302,343)	(62,680,254)
Deferred policy acquisition costs at end of the year	<u>22,169,402</u>	<u>23,348,928</u>

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE


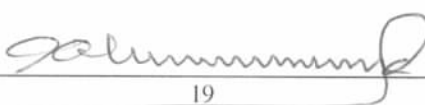


	2012 SR	2011 SR
Premium receivables	106,025,739	95,780,205
Reinsurers and others	5,189,303	5,845,205
Total premiums and insurance balances receivable	<u>111,215,042</u>	<u>101,625,410</u>
Provision for doubtful receivables	(17,462,377)	(13,775,110)
	<u>93,752,665</u>	<u>87,850,300</u>

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

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

	<i>Total</i> SR	<i>Less than 30</i> <i>days</i> SR	<i>31 to 60</i> <i>days</i> SR	<i>61 to 90</i> <i>days</i> SR	<i>91 to 180</i> <i>days</i> SR	<i>181 to 365</i> <i>days</i> SR	<i>Above 365</i> <i>days</i> SR
2012	<u>111,215,042</u>	<u>19,966,011</u>	<u>12,847,810</u>	<u>13,970,817</u>	<u>33,367,799</u>	<u>21,453,180</u>	<u>9,609,425</u>
2011	<u>101,625,410</u>	<u>19,542,739</u>	<u>12,818,352</u>	<u>13,880,034</u>	<u>28,792,641</u>	<u>20,931,017</u>	<u>5,660,627</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 comprehensive 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 counter parties. Balances due from reinsurers are with counterparties who have investment grade credit ratings issued by external rating agencies.

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE (continued)

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

	2012 SR	2011 SR
Beginning balance	13,775,110	4,567,283
Provision made during the year	3,687,267	9,230,964
Written off	-	(23,137)
Ending balance	<u>17,462,377</u>	<u>13,775,110</u>

11 PREPAYMENTS AND OTHER ASSETS

	2012		2011	
	<i>Insurance Operations</i> SR	<i>Shareholders' Operations</i> SR	<i>Insurance Operations</i> SR	<i>Shareholders' Operations</i> SR
Prepaid excess of loss premium	3,388,555	-	2,500,776	-
Excess of loss recovery receivable	1,105,613	-	2,088,903	-
Prepaid insurance	821,580	-	503,513	-
Prepaid rent	587,597	-	313,499	-
Advance for computer implementation	438,560	-	426,716	-
Accrued special commission income	419,338	838,381	25,642	665,815
Employee receivables	307,392	-	175,077	-
Advances to suppliers	-	-	556,718	-
Others	1,420,910	377,500	356,434	-
	<u>8,489,545</u>	<u>1,215,881</u>	<u>6,947,278</u>	<u>665,815</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

12 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>2012 SR</i>	<i>2011 SR</i>
Saudi Arabian Insurance Company B.S.C (C) (Shareholder)	- Amounts received and paid on behalf of SAICO BSC (C)	<u>4,494,988</u>	<u>(4,995,972)</u>
ACE Insurance Agents Limited("Agent") (Affiliate)	- Premiums received through Agent	<u>33,438,696</u>	<u>56,291,638</u>
	- Claims paid through Agent	<u>31,426,660</u>	<u>41,598,690</u>
	- Commission expense	<u>4,551,813</u>	<u>12,392,611</u>
ACE Limited (Common ownership)	- Premiums and claims, net	<u>1,799,422</u>	<u>(694,836)</u>
ACE Insurance and Reinsurance Brokers Limited ("Broker") (Affiliate)	- Premiums received through brokers	<u>154,628,028</u>	<u>146,961,845</u>
	- Commission expense	<u>22,347,752</u>	<u>20,658,324</u>
	- Premiums ceded through Broker	<u>32,280,724</u>	<u>58,130,671</u>
	- Commission earned	<u>8,231,939</u>	<u>9,088,905</u>
Board members	- Reimbursement of expenses to board members	<u>-</u>	<u>100,571</u>

b) *Balances with related parties*

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

	<i>2012 SR</i>	<i>2011 SR</i>
<i>Due from related parties:</i>		
Saudi Arabian Insurance Company B.S.C (C) (SAICO BSC (C))(Shareholder) - Insurance operations	<u>63,549,109</u>	<u>59,054,121</u>
ACE Insurance and Reinsurance Brokers Limited (Affiliate) - Insurance operations	<u>45,264,689</u>	<u>25,979,290</u>
ACE Insurance Agents limited (Affiliate) - Insurance operations	<u>8,604,264</u>	<u>9,783,988</u>
	<u>117,418,062</u>	<u>94,817,399</u>
<i>Due to a related party:</i>		
ACE Limited (Common ownership) - Insurance operations	<u>(331,890)</u>	<u>(565,071)</u>

Outstanding balances at the financial reporting date are unsecured and special commission rate free. Settlement will take place in cash. No provision for impairment of related party balances was made at the financial reporting date.

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

This assessment is undertaken at the financial reporting date through examining the financial position of the related party and the market in which the related party operates.

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:

	2012 SR	2011 SR
Short-term benefits	4,913,426	1,742,070
Bonus	-	1,675,000
Employees' end-of-service benefits	182,698	347,895
	<u>5,096,124</u>	<u>3,764,965</u>

13 TIME DEPOSITS

Time deposits represent deposits with local banks which have good 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 0.90 % per annum (2011: 0.43% per annum).

14 CASH AND CASH EQUIVALENTS

	2012		2011	
	<i>Insurance operations'</i> SR	<i>Shareholders' operations</i> SR	<i>Insurance operations'</i> SR	<i>Shareholders' operations</i> SR
Time deposits	-	-	-	4,032,179
Cash at banks	42,338,837	532,174	32,398,717	364,709
Cash on hand	32,000	-	22,000	-
	<u>42,370,837</u>	<u>532,174</u>	<u>32,420,717</u>	<u>4,396,888</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 0.11% per annum (2011: 0.12% per annum).

The Company holds an amount of SR 3,140,140 (31 December 2011 - Nil) in a fiduciary capacity, in respect of claims to be settled for a third party insurer. Accordingly such amount is not accounted for in these financial statements.

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

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

16 CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial reporting date, together with cumulative payments to date.

Gross insurance contract outstanding claims provision (without IBNR) for 2012:

<u>Accident year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
At end of accident year	2,926,659	289,459,675	381,035,209	346,192,089	
One year later	4,368,043	267,450,397	414,494,773	-	-
Two years later	3,990,444	273,056,039	-	-	-
Three years later	6,760,694	-	-	-	-
Current estimate of cumulative claims incurred	6,760,694	273,056,039	414,494,773	346,192,089	1,040,503,595
Cumulative payments to date	(591,339)	(103,025,228)	(344,235,082)	(280,198,544)	(728,050,193)
Total gross insurance outstanding claims provision per the statement of financial position	6,169,355	170,030,811	70,259,691	65,993,545	312,453,402

Hisham Varghese



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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

17 REINSURANCE BALANCES PAYABLE

	2012 SR	2011 SR
Insurance underwriters	65,895,014	39,963,508
Premiums payable	808,138	-
	<u>66,703,152</u>	<u>39,963,508</u>

18 ACCRUED EXPENSES AND OTHER LIABILITIES

	2012 SR	2011 SR
Commission payable	13,264,198	13,189,362
Policyholders' payable balances	7,888,639	4,848,590
Council for Cooperative Health Insurance fees	2,500,560	1,961,337
Claims agreed for settlement	2,364,914	1,507,414
Employees' benefits	1,918,099	1,480,671
Withholding tax payable	207,473	743,966
SAMA inspection & supervision fees	556,185	549,780
Accrued professional fees	200,000	343,750
Others	4,628,350	1,844,740
	<u>33,528,418</u>	<u>26,469,610</u>

19 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 (2011: 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

20 PROVISION FOR ZAKAT

The provision for the year of SR 2,173,351 (2011: SR 1,677,621) is based on the following:

	2012 SR	2011 SR
Shareholders' equity and opening provisions	82,646,482	79,873,059
Book value of long term assets and statutory deposit	(17,228,789)	(17,242,382)
	<u>65,417,693</u>	<u>62,630,677</u>
Adjusted income for the year	21,516,342	4,474,181
	<u>86,934,035</u>	<u>67,104,858</u>

The movement in the provision for zakat during the year follows:

	2012 SR	2011 SR
Beginning balance	1,919,551	1,748,440
Provision made during the year	2,173,351	1,677,621
Payments during the year	(1,696,469)	(1,506,510)
	<u>2,396,433</u>	<u>1,919,551</u>

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

Status of assessments

The Company obtained from DZIT the final assessment for the year ended 31 December 2008 with no additional zakat liability. The Company has filed its zakat declaration for the years ended 31 December 2009, 2010 and 2011 with the DZIT. However, the assessments have not yet been finalized and are under review by DZIT.

21 GENERAL AND ADMINISTRATION EXPENSES

	2012		2011	
	<i>Insurance operations'</i> SR	<i>Shareholders' operations'</i> SR	<i>Insurance operations'</i> SR	<i>Shareholders' operations'</i> SR
Employees cost	35,917,513	-	31,978,647	-
Depreciation (Note 8)	3,775,746	-	2,889,683	-
Withholding Tax	1,952,930	-	3,589,199	-
Rent	1,812,245	-	1,820,042	-
Computer implementation	1,665,713	-	2,021,533	-
Legal and professional fees	1,439,552	-	1,278,644	-
Postage, telephone and telex	1,209,741	-	1,230,876	-
Printing and stationery	725,466	-	726,977	-
Repairs and maintenance	689,512	-	541,983	-
Travel	564,830	-	360,937	-
Collector fees	120,026	-	250,381	-
Tadawul subscription	-	180,000	-	180,000
Others	2,654,032	876,706	1,523,301	801,418
	<u>52,527,306</u>	<u>1,056,706</u>	<u>48,212,203</u>	<u>981,418</u>

Moham Vargher

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

22 SEGMENT 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.

Rohan Varghese

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

22 SEGMENT INFORMATION (continued)

For the year ended 31 December 2012

REVENUE	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
Gross written premiums	250,056	104,694	76,289	37,440	46,177	10,307	42,954	567,917
Reinsurance premium ceded	(65,892)	(753)	(68,855)	(33,658)	(43,837)	(5,702)	(35,853)	(254,550)
Excess of loss premiums	(6,010)	(2,183)	(3,007)	(793)	(678)	(107)	(73)	(12,851)
Net written premiums	178,154	101,758	4,427	2,989	1,662	4,498	7,028	300,516
Movement in unearned premiums	(24,726)	5,294	314	(113)	(668)	1,437	(315)	(18,777)
Net premiums earned	153,428	107,052	4,741	2,876	994	5,935	6,713	281,739
Commission income	3,243	198	19,893	12,761	10,669	1,391	9,635	57,790
Total allocated revenue	156,671	107,250	24,634	15,637	11,663	7,326	16,348	339,529
Unallocated revenue								3,473
Total revenue								343,002
COSTS AND EXPENSES								
Gross claims paid	128,284	76,567	20,544	5,244	4,891	242	45,061	280,833
Reinsurers' share of claims paid	(5,391)	(1,456)	(17,672)	(4,618)	(4,510)	(41)	(43,815)	(77,503)
Net claims paid	122,893	75,111	2,872	626	381	201	1,246	203,330
Movement in outstanding claims	809	(3,138)	3,995	1,701	194	(360)	(272)	2,929
Net claims incurred	123,702	71,973	6,867	2,327	575	(159)	974	206,259
Policy acquisition cost	10,245	15,871	13,074	4,549	4,770	1,613	6,180	56,302
Total allocated costs and expenses	133,947	87,844	19,941	6,876	5,345	1,454	7,154	262,561
Unallocated expenses								61,436
Total costs and expenses								323,997
Net surplus from insurance operations								19,005

Moham Varghes



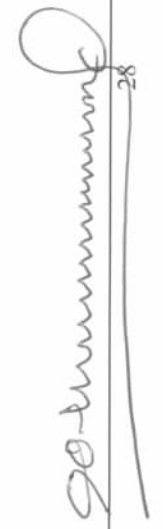
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
 . SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
 DECEMBER 2012

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

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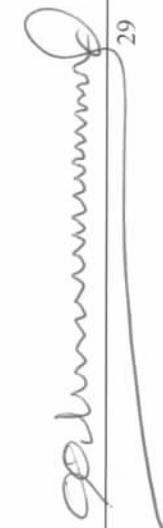
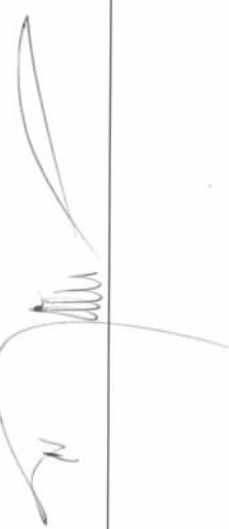
SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
 A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
 DECEMBER 2012

SEGMENT INFORMATION (continued)

31 December 2012

	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
insurers' share of outstanding claims	6,229	1,897	126,995	15,896	23,769	1,018	80,961	256,766
insurers' share of unearned premiums	22,642	261	19,749	10,123	28,316	2,191	9,787	93,069
ferred policy acquisition costs	7,485	5,326	3,060	1,209	3,483	952	654	22,169
SEGMENT ASSETS	36,356	7,484	149,804	27,228	55,568	4,161	91,402	372,004
allocated assets								
TOTAL ASSETS								319,518
LIABILITIES								691,522
loss outstanding claims	44,094	28,822	136,056	18,857	24,829	1,661	82,313	336,632
loss unearned premiums	101,362	39,827	22,108	11,077	29,578	5,996	12,003	221,951
earned commission income	1,694	74	4,791	3,150	6,853	395	2,771	19,728
SEGMENT LIABILITIES	147,150	68,723	162,955	33,084	61,260	8,052	97,087	578,311
allocated liabilities								
TOTAL LIABILITIES								111,310
insurance operations' surplus								689,621
TOTAL LIABILITIES AND INSURANCE OPERATIONS' SURPLUS								1,901
								691,522

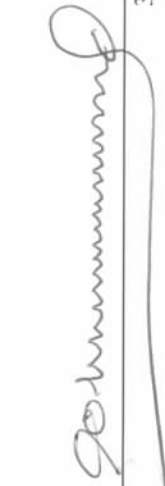
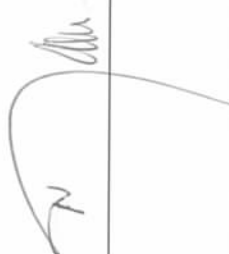
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
 . SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (continued)
 DECEMBER 2012

SEGMENT 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	Others SR'000	
ASSETS								
Insurers' share of outstanding claims	5,048	18	64,472	5,364	6,475	28	71,699	153,104
Insurers' share of unearned premiums	14,528	195	42,035	10,778	21,678	3,873	7,625	100,712
Deferred policy acquisition costs	5,124	7,234	5,290	1,447	2,025	1,602	627	23,349
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>	<u>277,165</u>
allocated assets								254,329
TOTAL ASSETS								<u>531,494</u>
LIABILITIES								
Unearned commission income	42,103	30,080	69,539	6,624	7,342	1,030	73,323	230,041
Unearned premiums	68,522	45,056	44,707	11,619	22,272	9,115	9,526	210,817
earned commission income	1,235	56	7,744	3,509	3,821	687	1,673	18,725
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>	<u>459,583</u>
allocated liabilities								71,911
TOTAL LIABILITIES								<u>531,494</u>

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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

23 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 of Directors. 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 2012

23 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 5% change in the claims ratio would impact income by approximately SR 14,086,937 (2011: SR 16,135,291) annually in aggregate.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

23 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 2012. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2012 would impact special commission income on time deposits by approximately SR 18,992 (2011: SR 10,581) 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 2012		31 December 2011	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
FINANCIAL ASSETS				
Reinsurers' share of outstanding claims	256,766,443	-	153,104,202	-
Premiums and insurance balances receivable	93,752,665	-	87,850,300	-
Due from related parties	117,418,062	-	94,817,399	-
Time deposits	50,257,231	66,132,644	25,050,833	51,673,681
Cash equivalents	42,338,837	532,174	32,398,717	4,396,888
Statutory deposit	-	10,000,000	-	10,000,000
	<u>560,533,238</u>	<u>76,664,818</u>	<u>393,221,451</u>	<u>66,070,569</u>

Moham Varghese

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

23 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 maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL ASSETS						
Reinsurers' share of outstanding claims	256,766,443	-	256,766,443	-	-	-
Premiums and insurance balances receivable	93,752,665	-	93,752,665	-	-	-
Prepayments and other assets	8,489,545	-	8,489,545	1,215,881	-	1,215,881
Due from related parties	117,418,062	-	117,418,062	-	-	-
Due from insurance operations	-	-	-	4,911,642	-	4,911,642
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Time deposits	50,257,231	-	50,257,231	66,132,644	-	66,132,644
Cash and cash equivalents	42,370,837	-	42,370,837	532,174	-	532,174
TOTAL	569,054,783	-	569,054,783	72,792,341	10,000,000	82,792,341

	31 December 2012					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
FINANCIAL LIABILITIES						
Gross outstanding claims	336,631,993	-	336,631,993	-	-	-
Unearned commission income	19,728,071	-	19,728,071	-	-	-
Due to related parties	331,890	-	331,890	-	-	-
Employees' end of service benefits	-	5,834,597	5,834,597	-	-	-
Reinsurance balances payable	66,703,152	-	66,703,152	-	-	-
Accrued expenses and other liabilities	33,528,418	-	33,528,418	-	-	-
Provision for zakat	-	-	-	2,396,433	-	2,396,433
Accounts payable	-	-	-	1,703,409	-	1,703,409
TOTAL	456,923,524	5,834,597	462,758,121	4,099,842	-	4,099,842

Moham Varghese

Abdulrahman Al-Fozan

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

23 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	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
FINANCIAL 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	-	-	-
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
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Due from shareholders operations	-	-	-	438,536	-	438,536
TOTAL	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
FINANCIAL 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	-	-	-
Provision for zakat	-	-	-	1,919,551	-	1,919,551
Accounts payable	-	-	-	857,808	-	857,808
Due to insurance operations	438,536	-	438,536	-	-	-
TOTAL	316,202,823	4,473,811	320,676,634	2,777,359	-	2,777,359

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.

Moham Varghen

SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2012

23 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.

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 estimation of financial assets and liabilities

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.

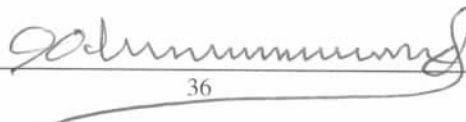
The amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying values of the Company's financial assets and financial liabilities are not materially different from their fair values at 31 December 2012:

	2012		2011	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Financial Assets				
Reinsurers' share of outstanding claims	256,766,443	-	153,104,202	665,815
Premiums and insurance balances receivable	93,752,665	-	87,850,300	-
Prepayments and other assets	8,489,545	1,215,881	6,947,278	51,673,681
Due from related parties	117,418,062	-	94,817,399	4,396,888
Due from insurance operations	-	4,911,642	25,050,833	10,000,000
Statutory deposit	-	10,000,000	32,420,717	438,536
Time deposits	50,257,231	66,132,644	-	-
Cash and cash equivalents	42,370,837	532,174	-	-
	<u>569,054,783</u>	<u>82,792,341</u>	<u>400,190,729</u>	<u>67,174,920</u>







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

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

23 RISK MANAGEMENT (continued)

i) Fair values estimation of financial assets and liabilities

Financial Liabilities	2012		2011	
	Insurance operations SR	Shareholders' operations SR	Insurance operations SR	Shareholders' operations SR
Gross outstanding claims	336,631,993	-	230,041,134	-
Unearned commission income	19,728,071	-	18,724,964	-
Due to related parties	331,890	-	565,071	-
Employees' end of service benefits	5,834,597	-	4,473,811	-
Reinsurance balances payable	66,703,152	-	39,963,508	-
Accrued expenses and other liabilities	33,528,418	-	26,469,610	-
Provision for zakat	-	2,396,433	-	1,919,551
Accounts payable	-	1,703,409	-	857,808
Due to shareholder operations	-	-	438,536	-
	<u>462,758,121</u>	<u>4,099,842</u>	<u>320,676,634</u>	<u>2,777,359</u>

24 CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

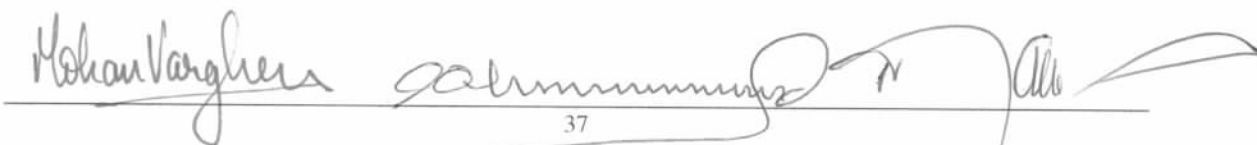
The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations)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

b) Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces I various locations amounted to SR 1.8 million for the year ended 31 December 2012 (2011: SR 1.8 million) are recognised in the statement of insurance comprehensive operations.

Future minimum lease payments under the operating lease arrangements as at 31 December 2012 are as follows:

Years	31 December 2012 SR	31 December 2011 SR
2012	-	1,323,424
2013	2,308,268	-
2014	1,993,836	-
2015	1,801,905	-
2016	1,531,478	-
2017	630,525	-
	<u>8,266,012</u>	<u>1,323,424</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2012

25 NET UNDERWRITING SURPLUS

Net underwriting surplus for the year is as follows:

	31 December 2012 SR	31 December 2011 SR
Net premiums earned	281,738,741	322,705,804
Commission income	57,790,383	48,978,378
Policy acquisition costs	(56,302,343)	(62,680,254)
Net claims incurred	(206,258,778)	(257,873,272)
Net underwriting surplus	76,968,003	51,130,656

26 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share for the year has been calculated by dividing the net income / (loss) for the year by the ordinary authorised, issued and outstanding shares at the year end of 10 million shares (2011:10 million shares).

27 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 13 Rabi-Thani- 1434H (corresponding to 23 February 2013).

Moham Varghese



31 December 2012