

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

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

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

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2010

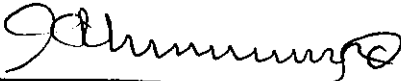
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

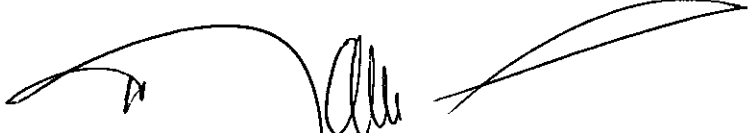
STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	Notes	31 December 2010 SR	31 December 2009 SR
<b>INSURANCE OPERATIONS' ASSETS</b>			
Property and equipment	8	4,615,153	3,578,206
Reinsurers' share of outstanding claims	9 (a)	126,481,376	172,616
Reinsurers' share of unearned premiums	9 (b)	90,214,120	21,114,590
Deferred policy acquisition costs	9 (d)	25,631,887	5,465,916
Premiums and insurance balances receivable	10	128,831,753	30,995,914
Prepayments and other assets	11	4,203,303	5,344,340
Due from related parties	12	102,138,512	32,450,336
Cash and cash equivalents	13	44,710,641	20,522,957
Due from shareholders operations		4,798,774	-
<b>TOTAL INSURANCE OPERATIONS' ASSETS</b>		<b>531,625,519</b>	<b>119,644,875</b>
<b>SHAREHOLDERS' ASSETS</b>			
Statutory deposit	15	10,000,000	10,000,000
Due from insurance operations		-	14,791,630
Prepayments and other assets	11	603,354	490,416
Time deposits	14	64,465,229	-
Cash and cash equivalents	13	4,335,898	58,641,360
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>79,404,481</b>	<b>83,923,406</b>
<b>TOTAL ASSETS</b>		<b>611,030,000</b>	<b>203,568,281</b>

  
ABDULAZIZ ABUSSUUD  
BOARD MEMBER

  
R. VENKATESH  
FINANCE MANAGER

  
HASSAN ABDULLA DORAR ALI  
PRESIDENT & C.E.O.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 19 Rabi Awal 1432H corresponding to 22 February 2011.

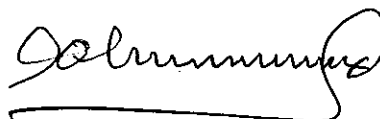
The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2010

	Notes	31 December 2010 SR	31 December 2009 SR
<b>INSURANCE OPERATIONS' LIABILITIES</b>			
Gross outstanding claims	9 (a)	211,888,446	2,948,261
Gross unearned premiums	9 (b)	220,719,556	56,588,932
Unearned commission income	9 (c)	17,820,680	4,017,122
Due to related parties	12	11,188,765	6,139,389
Employees' end-of-service benefits		3,148,986	557,957
Reinsurance balances payable	16	43,867,540	21,963,395
Accrued expenses and other liabilities	17	22,991,546	12,638,189
Due to shareholders operations		-	14,791,630
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES</b>		<b>531,625,519</b>	<b>119,644,875</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	18	100,000,000	100,000,000
Accumulated losses		(27,843,210)	(18,458,230)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>72,156,790</b>	<b>81,541,770</b>
<b>SHAREHOLDERS' LIABILITIES</b>			
Zakat payable	19	1,748,440	1,833,042
Accounts payable		700,477	548,594
Due to insurance operations		4,798,774	-
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>7,247,691</b>	<b>2,381,636</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>79,404,481</b>	<b>83,923,406</b>
<b>TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>611,030,000</b>	<b>203,568,281</b>





The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF INSURANCE OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year Ended 31 December 2010 SR	Period from 25 August 2009 to 31 December 2009 SR
<b>REVENUES</b>			
Gross written premiums	9 (b)	552,693,700	73,607,053
Reinsurance premium ceded	9 (b)	(231,886,924)	(26,622,720)
Excess of loss premiums		(9,093,661)	(1,340,451)
<b>NET WRITTEN PREMIUMS</b>		<b>311,713,115</b>	<b>45,643,882</b>
Movement in unearned premiums	9 (b)	(95,031,094)	(35,474,342)
<b>NET PREMIUMS EARNED</b>		<b>216,682,021</b>	<b>10,169,540</b>
Commission income	9 (c)	34,023,406	1,228,807
Other income		5,577,578	1,179,650
<b>TOTAL REVENUES</b>		<b>256,283,005</b>	<b>12,577,997</b>
<b>COSTS AND EXPENSES</b>			
Gross claims paid		(102,388,354)	(604,541)
Reinsurance share of claims paid		17,888,649	36,985
<b>NET CLAIMS PAID</b>		<b>(84,499,705)</b>	<b>(567,556)</b>
Movement in outstanding claims		(82,631,425)	(2,775,645)
<b>NET CLAIMS INCURRED</b>	9 (a)	<b>(167,131,130)</b>	<b>(3,343,201)</b>
Policy acquisition costs	9 (d)	(51,558,086)	(1,797,131)
General and administration expenses	20	(39,861,921)	(10,061,694)
Inspection and supervision fees		(4,828,515)	(653,487)
<b>TOTAL COSTS AND EXPENSES</b>		<b>(263,379,652)</b>	<b>(15,855,513)</b>
<b>NET DEFICIT FROM INSURANCE OPERATIONS</b>		<b>(7,096,647)</b>	<b>(3,277,516)</b>
Shareholders' appropriation from deficit		7,096,647	3,277,516
Net results for the year/period		-	-

R. Venkatesh

O. Almunir

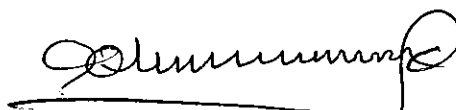
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SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY  
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year ended 31 December 2010 SR	Year ended 31 December 2009 SR
Appropriation of deficit from insurance operations		(7,096,647)	(3,277,516)
Special commission income		228,433	281,598
General and administration expenses	20	(844,766)	(4,272,844)
<b>LOSS BEFORE ZAKAT</b>		<b>(7,712,980)</b>	<b>(7,268,762)</b>
Zakat	19	(1,672,000)	(1,118,859)
<b>LOSS FOR THE YEAR</b>		<b>(9,384,980)</b>	<b>(8,387,621)</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>			
Change in fair value of available for sale investments		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(9,384,980)</b>	<b>(8,387,621)</b>
<b>LOSS PER SHARE</b>			
	25		
Basic and diluted loss per share (in SR)		(0.94)	(0.84)
Weighted average number of shares in issue throughout the year (in thousands)		10,000	10,000

R. Ushatish





The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 31 December 2008	100,000,000	(10,070,609)	89,929,391
Net loss and total comprehensive loss for the year	-	(8,387,621)	(8,387,621)
<b>Balance at 31 December 2009</b>	<b>100,000,000</b>	<b>(18,458,230)</b>	<b>81,541,770</b>
Net loss and total comprehensive loss for the year	-	(9,384,980)	(9,384,980)
<b>Balance at 31 December 2010</b>	<b>100,000,000</b>	<b>(27,843,210)</b>	<b>72,156,790</b>

*R. Venkatesh*

*[Signature]*

*[Signature]*

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

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Year ended 31 December 2010 SR	Period from 25 August 2009 to 31 December 2009 SR
	<i>Note</i>	
<b>OPERATING ACTIVITIES</b>		
Net deficit from insurance operations	(7,096,647)	(3,277,516)
Adjustments for:		
Depreciation	1,961,089	480,597
Provision for doubtful receivables	4,447,356	119,927
Employees' end-of-service benefits, net	2,591,029	517,550
Income before changes in operating assets and liabilities:	1,902,827	(2,159,442)
<b>Changes in operating assets and liabilities:</b>		
Reinsurers' share of outstanding claims	(126,308,760)	(172,616)
Deferred policy acquisition costs	(20,165,971)	(5,465,916)
Reinsurer' share of unearned premiums	(69,099,530)	(21,114,590)
Premiums and insurance balances receivable	(102,283,195)	(31,115,841)
Prepayments and other assets	1,141,037	(5,344,340)
Due from related parties	(69,688,176)	(32,450,336)
Gross outstanding claims	208,940,185	2,948,261
Gross unearned premiums	164,130,624	56,588,932
Unearned commission income	13,803,558	4,017,122
Accrued expenses and other liabilities	10,353,357	5,538,558
Reinsurance balances payable	21,904,145	29,063,026
Due to shareholders' operations	(12,493,757)	14,407,509
Due to related parties	5,049,376	6,139,389
Net cash from operating activities	27,185,720	20,879,716
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,998,036)	(356,759)
Net cash used in investing activities	(2,998,036)	(356,759)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	24,187,684	20,522,957
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD</b>		
	20,522,957	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>		
	13 44,710,641	20,522,957
<b>NON-CASH TRANSACTIONS</b>		
Transfer of property and equipment from shareholders operation	-	(3,702,044)
Transfer of employees' end of service benefits from shareholders operations	-	40,407

*R. Khatib*

*[Signature]*

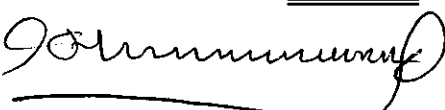

The accompanying notes 1 to 27 form part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	31 December 2010 SR	31 December 2009 SR
<b>OPERATING ACTIVITIES</b>			
Loss before zakat		(7,712,980)	(7,268,762)
Adjustment for:			
Appropriation of deficit from insurance operations		7,096,647	3,277,516
Depreciation		-	704,366
Loss before changes in operating assets and liabilities:		(616,333)	(3,286,880)
Changes in operating assets and liabilities:			
Prepayments and other assets		(112,938)	(132,892)
Accounts payable		151,883	(244,544)
Due to a related party		-	(539,550)
Due from insurance operations		12,493,757	(14,407,509)
Cash from/(used in) operating activities		11,916,369	(18,611,375)
Zakat paid		(1,756,602)	(2,041,751)
Net cash from / (used in) operating activities		10,159,767	(20,653,126)
<b>INVESTING ACTIVITIES</b>			
Time deposits		(64,465,229)	-
Purchase of property and equipment		-	(1,576,819)
Net cash used in investing activities		(64,465,229)	(1,576,819)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>58,641,360</b>	<b>80,871,305</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>4,335,898</b>	<b>58,641,360</b>
	13		
<b>NON-CASH TRANSACTIONS</b>			
Transfer of property and equipment to insurance operations		-	3,702,044
Transfer of employees' end of service benefits to insurance operations		-	(40,407)

R. Khatib

The accompanying notes 1 to 27 form part of these financial statements.

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

### 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.

The Company commenced insurance operations on 4 Ramadan 1430H (corresponding to 25 August 2009). Accordingly, comparative figures included in the statement of insurance operations and statement of insurance operations' cash flows reflects the operations from that date.

### 2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

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

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

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

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

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

### 3 BASIS OF PREPARATION

#### Basis of measurement

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

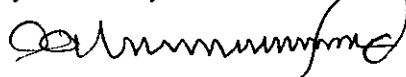
#### Statement of compliance

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

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

#### Functional and presentational currency

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



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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

**4 CHANGES IN ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial period except as follows:

- Improvements to IFRSs 2009 – various standards

Adoption of these revised standards did not have any material effect on the financial performance or position of the Company.

**5 NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following amendments and standards have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for these financial statements. The Company has chosen not to early adopt the amendments and the newly issued standards:

- Improvements to IFRSs 2010 – various standards (effective date 1 January 2011)
- Amendments to IAS 32 Financial Instruments - Presentation: Classification of Rights Issues (effective date 1 February 2010)
- IAS 24 Related Party Disclosures (revised 2009) (effective date 1 January 2011)
- IFRS 9 Financial Instruments (effective date 1 January 2013)

The application of the above standards is not expected to have a material impact on the financial statements as and when they become effective. However, the application of these standards will result in amendments to the presentation of the financial statements.

**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.

*Premiums earned and commission income*

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

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

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

*Premiums receivable*

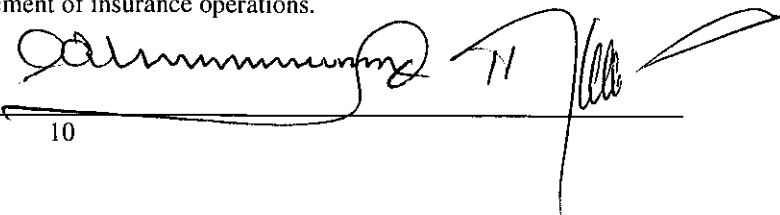
Premiums receivable are recognised when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.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

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

*Gross outstanding claims*

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to statement of insurance operations.

R. Khashan



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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

*Gross outstanding claims (continued)*

Gross outstanding claims comprise of gross estimated cost of claims incurred but not settled at the date of statement of financial position, whether reported or not. Provisions for reported claims not paid as of the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported as of reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the date of statement of financial position and settlements and provisions in the following year is included in the underwriting account 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 statement of financial position date.

*Liability adequacy test*

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

*Reinsurance*

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

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

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

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

*Deferred policy acquisition costs*

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

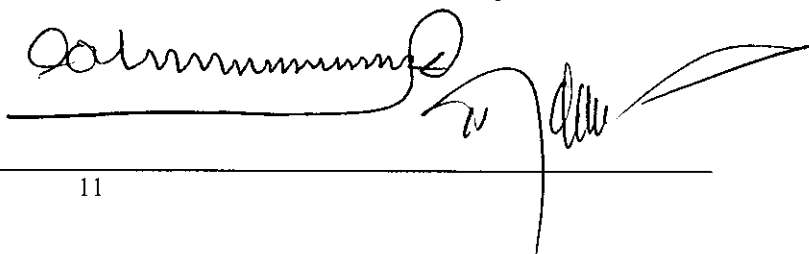
Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

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

*Unearned commission income*

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

R. Venkatesh



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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

**6 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property and equipment***

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

***Zakat***

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. Zakat is accrued and charged to the statement of shareholders' comprehensive operations.

***Provisions***

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

***Leases***

Operating lease payments are recognised as an expense in the statement of operations on a straight-line basis over the lease term.

***Employees' end of service benefits***

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

***Cash and cash equivalents***

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

***Special commission income on time deposits***

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

***Segmental reporting***

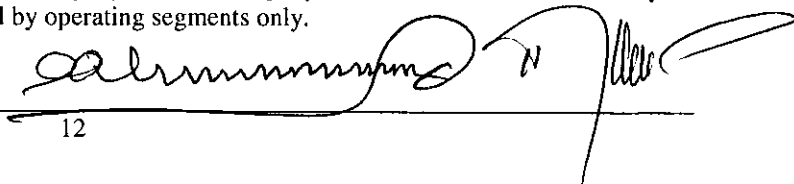
An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incur expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources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

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

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

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





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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

*Foreign currencies*

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

*Offsetting*

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

*Fair values*

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

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

*Impairment and uncollectibility of financial assets*

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

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of 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.

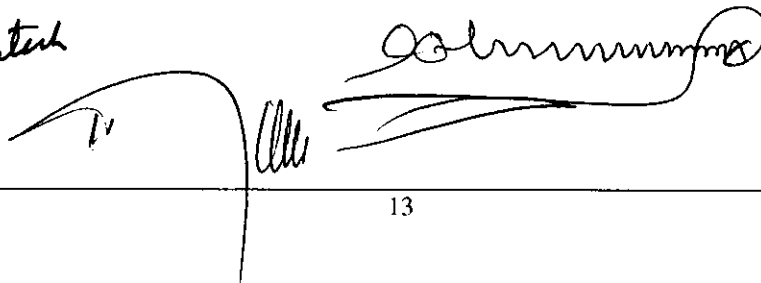
*Accrued expenses and other liabilities*

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 Articles of Association, 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 2010.

R. Khabatuk



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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

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

*Impairment losses on receivables*

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

*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.

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

	<i>Leasehold improvements</i> SR	<i>Furniture and fittings</i> SR	<i>Computer and office equipment</i> SR	<b>Total 2010</b> SR	<b>Total 2009</b> SR
Cost:					
At the beginning of the year	1,862,597	1,461,990	2,156,813	5,481,400	5,124,641
Additions	<b>905,120</b>	<b>624</b>	<b>2,092,292</b>	<b>2,998,036</b>	356,759
At the end of the year	<b>2,767,717</b>	<b>1,462,614</b>	<b>4,249,105</b>	<b>8,479,436</b>	5,481,400
Accumulated depreciation:					
At the beginning of the year	1,085,505	331,923	485,766	1,903,194	1,422,597
Charge for the year	<b>779,200</b>	<b>146,253</b>	<b>1,035,636</b>	<b>1,961,089</b>	480,597
At the end of the year	<b>1,864,705</b>	<b>478,176</b>	<b>1,521,402</b>	<b>3,864,283</b>	1,903,194
Net book value:					
<b>At 31 December 2010</b>	<b>903,012</b>	<b>984,438</b>	<b>2,727,703</b>	<b>4,615,153</b>	
At 31 December 2009	777,092	1,130,067	1,671,047		3,578,206

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

*R. Khatib*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

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

(a) Outstanding claims

	2010			2009		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Outstanding at end of the year/period	190,211,150	(126,481,376)	63,729,774	2,335,297	(172,616)	2,162,681
IBNR	21,677,296	-	21,677,296	612,964	-	612,964
	<u>211,888,446</u>	<u>(126,481,376)</u>	<u>85,407,070</u>	<u>2,948,261</u>	<u>(172,616)</u>	<u>2,775,645</u>
Insurance claims paid during the year/period	102,388,354	(17,888,649)	84,499,705	604,541	(36,985)	567,556
Outstanding at beginning of the year/period	(2,335,297)	172,616	(2,162,681)	-	-	-
IBNR	(612,964)	-	(612,964)	-	-	-
	<u>(2,948,261)</u>	<u>172,616</u>	<u>(2,775,645)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Claims incurred</b>	<b>311,328,539</b>	<b>(144,197,409)</b>	<b>167,131,130</b>	<b>3,552,802</b>	<b>(209,601)</b>	<b>3,343,201</b>

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

(b) Unearned premiums

	2010			2009		
	Gross SR	Reinsurers' share SR	Net SR	Gross SR	Reinsurers' share SR	Net SR
Unearned premiums at beginning of the year/period	56,588,932	(21,114,590)	35,474,342	-	-	-
Premiums written during the year/period	552,693,700	(231,886,924)	320,806,776	73,607,053	(26,622,720)	46,984,333
Premiums earned during the year/period	(388,563,076)	162,787,394	(225,775,682)	(17,018,121)	5,508,130	(11,509,991)
Unearned premiums at end of the year/period	<u>220,719,556</u>	<u>(90,214,120)</u>	<u>130,505,436</u>	<u>56,588,932</u>	<u>(21,114,590)</u>	<u>35,474,342</u>

(c) Unearned commission income

	2010 SR	2009 SR
Unearned commission income at beginning of the year/period	4,017,122	-
Commission received during the year/period	47,826,964	5,245,929
Commission earned during the year/period	(34,023,406)	(1,228,807)
Unearned commission income at end of the year/period	<u>17,820,680</u>	<u>4,017,122</u>

R. Venkatesh

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

31 December 2010

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

(d) Deferred policy acquisition costs

	2010 SR	2009 SR
Deferred policy acquisition costs at beginning of year/period	5,465,916	
Incurred during the year/period	71,724,057	7,263,047
Amortised during the year/period	(51,558,086)	(1,797,131)
Deferred policy acquisition costs at end of year/period	<u>25,631,887</u>	<u>5,465,916</u>

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2010 SR	2009 SR
Premium receivables	131,173,991	28,867,004
Provision for doubtful receivables	(4,451,402)	(119,927)
	<u>126,722,589</u>	<u>28,747,077</u>
Reinsurers and others	2,109,164	2,248,837
	<u>128,831,753</u>	<u>30,995,914</u>

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

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

	Total SR	Neither past due nor impaired SR	Past due but not impaired				Past due and impaired SR
			Less than 30 days SR	31 to 60 days SR	61 to 90 days SR	Above 90 days SR	
2010	131,173,991	66,853,518	26,727,319	8,292,660	7,763,346	-	21,537,148
2009	28,867,004	5,801,723	10,406,742	10,224,483	1,634,542	-	799,514

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

*R. Venkatesh*

*[Signature]*

*[Signature]*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

11 PREPAYMENTS AND OTHER ASSETS

	2010		2009	
	Insurance Operations	Shareholders' Operations	Insurance Operations	Shareholders' Operations
	SR	SR	SR	SR
Excess of loss recovery receivable	1,074,609	-	-	-
Prepaid excess of loss expenses	713,443	-	3,629,125	-
Accrued special commission income	-	603,354	-	490,416
Prepaid rent	527,349	-	100,083	-
Prepaid Insurance	442,690	-	90,457	-
Advances to suppliers	420,808	-	-	-
Employee receivables	367,215	-	1,251,253	-
Advance for computer implementation	128,189	-	245,911	-
Advance payment to hospitals	276,493	-	-	-
Others	252,507	-	27,511	-
	<u>4,203,303</u>	<u>603,354</u>	<u>5,344,340</u>	<u>490,416</u>

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:

Related party	Nature of transaction	2010 SR	2009 SR
Saudi Arabian Insurance Company B.S.C (C) (SAICO BSC (C)) (Shareholder)	- Property and equipment acquired on behalf of the Company	-	1,440,793
	- Reimbursement of expenses paid on behalf of the Company	-	4,577,498
	- Amounts received and paid on behalf of SAICO BSC (C)	59,454,043	26,450,000
ACE Insurance Agents Limited (Common ownership)	- Premiums	211,125,645	24,951,014
	- Claims	29,707,185	299,256
	- Commission expense	45,729,206	5,080,255
ACE Limited (Common ownership)	- Premiums	1,628,891	-
	- Claims	1,080,025	-
ACE Insurance and Reinsurance Brokers Limited (Common ownership)	- Premiums received	48,843,676	-
	- Commission paid	3,339,317	-
	- Premiums ceded	93,725,071	-
	- Commission received	16,224,663	-
Key management personnel	- Employees' benefits	3,949,790	1,320,370
Board members	- Reimbursement of expenses to board members	60,268	-

*R. Venkatesh*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances with related parties

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

	2010 SR	2009 SR
Saudi Arabian Insurance Company B.S.C (C) (SAICO) - Insurance operations BSC (C)) (Shareholder)	<b>64,050,093</b>	4,596,050
ACE Insurance Agents limited - Insurance operations	<b>28,905,727</b>	27,854,286
ACE Limited - Insurance operations	<b>(11,188,765)</b>	(6,059,380)
ACE Insurance and Reinsurance Brokers Limited - Insurance operations	<b>9,182,692</b>	(80,009)

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

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/period is as follows.

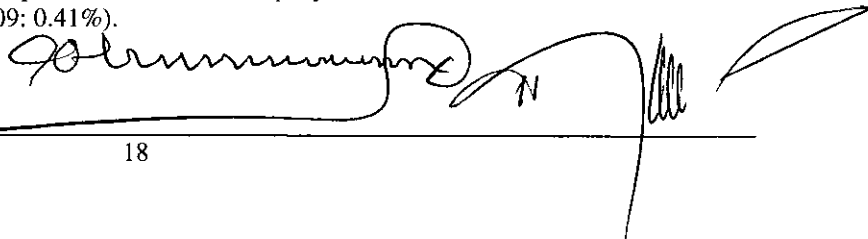
	2010 SR	2009 SR
Short-term benefits	<b>1,610,600</b>	1,026,381
Bonus	<b>1,500,000</b>	-
Employees' end-of-service benefits	<b>839,190</b>	293,989
	<b>3,949,790</b>	1,320,370

13 CASH AND CASH EQUIVALENTS

	2010		2009	
	Insurance Operations' SR	Shareholders' Operations SR	Insurance Operations' SR	Shareholders' Operations SR
Time deposits	-	<b>4,027,197</b>	-	58,289,461
Cash at banks	<b>44,699,641</b>	<b>308,701</b>	20,511,957	351,899
Cash on hand	<b>11,000</b>	-	11,000	-
	<b>44,710,641</b>	<b>4,335,898</b>	<b>20,522,957</b>	<b>58,641,360</b>

Cash at banks and time deposits are placed with counterparties who have investment grade credit ratings. The time deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn commission at an effective commission rate of 0.12% (31 December 2009: 0.41%).

R. Venkatesh



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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2010

**14 TIME DEPOSITS**

Time deposits represent deposits with local banks which have investment grade credit ratings and have an original maturity of more than three months from date of acquisition.

**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 the Saudi Arabian Monetary Agency. This statutory deposit is placed with a counterparty which has an investment grade credit rating

**16 REINSURANCE BALANCES PAYABLE**

	2010 SR	2009 SR
Insurance underwriters	43,777,920	21,963,395
Premiums payable	89,620	-
	<u>43,867,540</u>	<u>21,963,395</u>

**17 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2010 SR	2009 SR
Commission payable	9,975,942	4,592,887
Policyholders' payable balances	3,994,494	2,506,744
Council for Cooperative Health Insurance fees	2,105,457	303,082
Premium received in advance	1,591,664	-
Accrued bonus	1,500,000	-
Employees' benefits	1,114,036	493,272
Inspection & supervision fees-SAMA	582,856	492,187
Accrued professional fees	275,000	-
Payable to health care providers	86,670	2,707,990
Excess of loss expenses	-	638,554
Others	1,765,427	903,473
	<u>22,991,546</u>	<u>12,638,189</u>

**18 SHARE CAPITAL**

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

**19 ZAKAT**

	2010 SR	2009 SR
Charge for the year		
The zakat charge consists of:		
Provision for current year	1,672,000	1,833,042
Adjustment for prior period	-	(714,183)
	<u>1,672,000</u>	<u>1,118,859</u>

*R. Venkatesh*

*Abdullah Al-Farhan*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

19 ZAKAT (continued)

The provision for the year is based on the following:

	2010 SR	2009 SR
Shareholders' equity and opening provisions	82,176,000	100,000,000
Book value of long term assets and statutory deposit	(14,615,153)	(13,578,206)
	<u>67,560,847</u>	<u>86,421,794</u>
Adjusted loss for the year / period	(675,000)	(16,814,316)
Zakat base	<u>66,885,847</u>	<u>69,607,478</u>

Movements in the provision during the year

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

	2010 SR	2009 SR
At the beginning of the year	1,833,042	2,755,934
Provided during the year	1,672,000	1,118,859
Payments during the year	(1,756,602)	(2,041,751)
At the end of the year	<u>1,748,440</u>	<u>1,833,042</u>

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

Status of assessments

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

20 GENERAL AND ADMINISTRATION EXPENSES

	2010		2009	
	Insurance Operations' SR	Shareholders' Operations SR	Insurance Operations' SR	Shareholders' Operations SR
Employees cost	25,849,001	91,001	6,545,318	1,554,749
Doubtful debt expense	4,447,356	-	119,927	-
Depreciation	1,961,089	-	480,597	704,366
Legal and professional fees	1,509,779	-	1,284,433	465,586
Rent	1,313,239	-	433,947	778,067
Printing and stationery	882,388	-	181,435	14,200
Postage, telephone, telex	690,340	-	134,920	14,310
Repairs and maintenance	427,621	-	133,205	150,861
Computer implementation	269,850	-	324,401	297,669
Travel	258,540	-	49,761	-
Collector fees	212,187	-	-	-
Tadawul subscription	-	180,000	-	-
Others	2,040,531	573,765	373,750	293,036
	<u>39,861,921</u>	<u>844,766</u>	<u>10,061,694</u>	<u>4,272,844</u>

R. Khatib



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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

21 SEGMENTAL INFORMATION

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

Segment results do not include general and administration expenses, 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 and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include insurance operations' 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.

	<i>For the year ended 31 December 2010</i>							
	<i>Medical</i>	<i>Motor</i>	<i>Fire &amp; burglary</i>	<i>Marine</i>	<i>Engineering</i>	<i>Public liability</i>	<i>Others</i>	<i>Total</i>
<b>REVENUES</b>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Gross written premiums	210,546	105,596	101,938	40,077	49,536	14,717	30,284	552,694
Reinsurance premium ceded	(29,244)	(443)	(91,126)	(37,048)	(47,177)	(4,842)	(22,007)	(231,887)
Excess of loss premiums	(3,477)	(2,310)	(1,950)	(602)	(424)	(224)	(107)	(9,094)
Net written premiums	177,825	102,843	8,862	2,427	1,935	9,651	8,170	311,713
Movement in unearned premium	(61,360)	(26,392)	(2,151)	(705)	(535)	(2,333)	(1,555)	(95,031)
Net premiums earned	116,465	76,451	6,711	1,722	1,400	7,318	6,615	216,682
Commission income	-	109	14,440	8,338	5,789	668	4,679	34,023
Total allocated revenues	116,465	76,560	21,151	10,060	7,189	7,986	11,294	250,705
Unallocated revenues								5,578
Total revenues								256,283
<b>COST AND EXPENSES</b>								
Gross claims paid	(53,933)	(38,936)	(5,222)	(2,428)	(190)	(284)	(1,395)	(102,388)
Reinsurance share of claims paid	10,844	81	3,637	2,141	123	-	1,062	17,888
Net claims paid	(43,089)	(38,855)	(1,585)	(287)	(67)	(284)	(333)	(84,500)
Movement in outstanding claims	(47,453)	(20,852)	(10,283)	(1,182)	(970)	(690)	(1,201)	(82,631)
Net claims incurred	(90,542)	(59,707)	(11,868)	(1,469)	(1,037)	(974)	(1,534)	(167,131)
Policy acquisition cost	(9,833)	(15,183)	(12,371)	(5,028)	(4,542)	(1,929)	(2,672)	(51,558)
Total allocated costs and expenses	(100,375)	(74,890)	(24,239)	(6,497)	(5,579)	(2,903)	(4,206)	(218,689)
Unallocated expenses								(44,691)
Total costs and expenses								(263,380)
Net deficit from insurance operations								(7,097)

R. Venkatesh

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

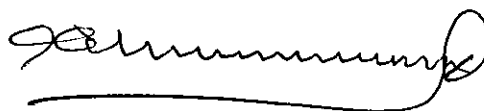
31 December 2010

21 SEGMENTAL INFORMATION (continued)

For the period from 25 August 2009  
to 31 December 2009

	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
<b>REVENUES</b>								
Gross written premiums	30,308	15,785	13,857	2,489	2,362	3,454	5,352	73,607
Reinsurance premium ceded	(2,232)	(63)	(12,425)	(2,229)	(2,241)	(2,636)	(4,797)	(26,623)
Excess of loss premiums	(702)	(295)	(255)	(47)	(21)	(15)	(5)	(1,340)
Net written premiums	27,374	15,427	1,177	213	100	803	550	45,644
Movement in unearned premium	(21,245)	(11,973)	(1,096)	(66)	(73)	(647)	(374)	(35,474)
Net premiums earned	6,129	3,454	81	147	27	156	176	10,170
Commission income	-	1	391	543	161	60	73	1,229
Total allocated revenues	6,129	3,455	472	690	188	216	249	11,399
Unallocated revenues								1,179
Total revenues								12,578
<b>COST AND EXPENSES</b>								
Gross claims paid	(50)	(511)		(44)				(605)
Reinsurance share of claims paid	-	-	-	37	-	-	-	37
Net claims paid	(50)	(511)	-	(7)	-	-	-	(568)
Movement in outstanding claims	(2,378)	(380)	-	(18)	-	-	-	(2,776)
Net claims incurred	(2,428)	(891)	-	(25)	-	-	-	(3,344)
Policy acquisition cost	(198)	(791)	(391)	(259)	(53)	(41)	(64)	(1,797)
Total allocated costs and expenses	(2,626)	(1,682)	(391)	(284)	(53)	(41)	(64)	(5,141)
Unallocated expenses								(10,715)
Total costs and expenses								(15,856)
Net deficit from insurance operations								(3,278)

R. Venkatesh




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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

21 SEGMENTAL INFORMATION (continued)

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

	31 December 2009 – Restated							
	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
<b>ASSETS</b>								
Reinsurers' share of outstanding claims	-	-	-	173	-	-	-	173
Reinsurers' share of unearned premiums	1,526	61	10,872	760	1,645	1,932	4,319	21,115
Deferred policy acquisition costs	615	2,142	2,172	115	164	131	127	5,466
<b>SEGMENT ASSETS</b>	<b>2,141</b>	<b>2,203</b>	<b>13,044</b>	<b>1,048</b>	<b>1,809</b>	<b>2,063</b>	<b>4,446</b>	<b>26,754</b>
Unallocated assets								92,891
<b>TOTAL ASSETS</b>								<b>119,645</b>
<b>LIABILITIES</b>								
Gross outstanding claims	2,377	380	-	191	-	-	-	2,948
Gross unearned premium	22,771	12,034	11,968	826	1,718	2,580	4,692	56,589
Unearned commission income	-	17	2,490	256	444	167	643	4,017
<b>SEGMENT LIABILITIES</b>	<b>25,148</b>	<b>12,431</b>	<b>14,458</b>	<b>1,273</b>	<b>2,162</b>	<b>2,747</b>	<b>5,335</b>	<b>63,554</b>
Unallocated liabilities								56,091
<b>TOTAL LIABILITIES</b>								<b>119,645</b>

*R. Venkatesh*

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

31 December 2010

**21 SEGMENTAL INFORMATION (continued)**

Insurance operations assets and liabilities have been restated as at 31 December 2009 to include marine, public liability, fire and burglary and engineering as reportable segments in accordance with the quantitative threshold as at 31 December 2010 for comparative purposes.

**22 RISK MANAGEMENT**

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

**Risk Governance**

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

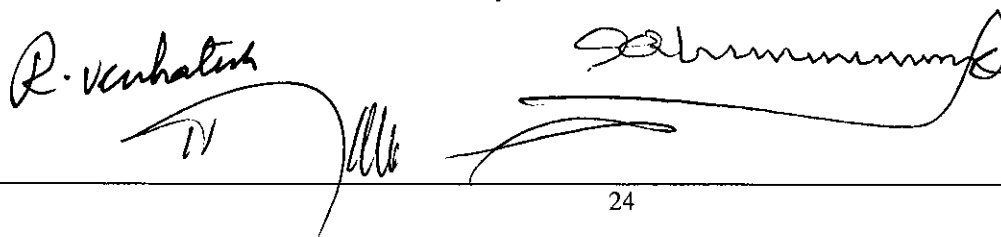
The Company issues short term insurance policies in connection with medical, motor, fire and burglary, marine, engineering and public liability risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance 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' 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 2010

**22 RISK MANAGEMENT (continued)**

**a) Insurance risk (continued)**

*Motor*

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

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

*Fire and burglary*

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

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

*Marine*

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

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

*Engineering*

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

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

*Public liability*

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

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

**Sensitivity analysis**

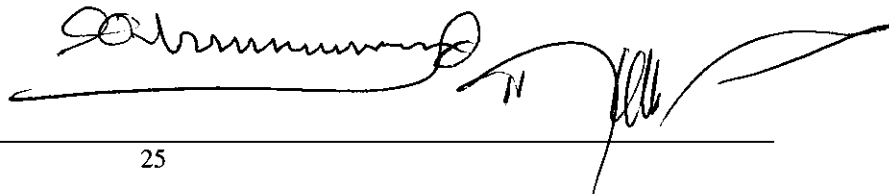
The general insurance claims provision is sensitive to the above key assumptions. A hypothetical 10% change in the claims ratio would impact income by approximately SR 16,713,113 (2009: SR 334,320) annually in aggregate.

**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.





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

31 December 2010

22 RISK MANAGEMENT (continued)

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 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 2010. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2010 would impact special commission income by approximately SR 285 (2009: SR 58,289) annually in aggregate.

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's 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 2010		31 December 2009	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
<b>Assets</b>				
Cash equivalents	44,699,641	4,335,898	20,511,957	58,641,360
Time deposits	-	64,465,229	-	-
Statutory deposit	-	10,000,000	-	10,000,000
Due from related parties	115,727,092	-	32,450,336	-
Reinsurers' share of outstanding claims	126,481,376	-	172,616	-
Premiums and insurance balances receivable	128,831,753	-	30,995,914	-
	<u>415,739,862</u>	<u>78,801,127</u>	<u>84,130,823</u>	<u>68,641,360</u>

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.

*R. Khatib*

*[Signature]*

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

31 December 2010

22 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

*Maturity Profiles*

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

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

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

*R. Khatib*

*[Signature]*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

22 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2009					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
<b>ASSETS</b>						
Reinsurers' share of outstanding claims	172,616	-	172,616	-	-	-
Premiums and insurance balances receivable	30,995,914	-	30,995,914	-	-	-
Prepayments and other assets	5,344,340	-	5,344,340	490,416	-	490,416
Due from related parties	32,450,336	-	32,450,336	-	-	-
Due from insurance operations	-	-	-	14,791,630	-	14,791,630
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Cash and cash equivalents	20,522,957	-	20,522,957	58,641,360	-	58,641,360
<b>TOTAL ASSETS</b>	<b>89,486,163</b>	<b>-</b>	<b>89,486,163</b>	<b>73,923,406</b>	<b>10,000,000</b>	<b>83,923,406</b>

	31 December 2009					
	Insurance operations			Shareholders' operations		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
<b>LIABILITIES</b>						
Gross outstanding claims	2,948,261	-	2,948,261	-	-	-
Unearned commission income	4,017,122	-	4,017,122	-	-	-
Due to related parties	6,139,389	-	6,139,389	-	-	-
Employees' end of service benefits	-	557,957	557,957	-	-	-
Reinsurance balances payable	21,963,395	-	21,963,395	-	-	-
Accrued expenses and other liabilities	12,638,189	-	12,638,189	-	-	-
Zakat payable	-	-	-	1,833,042	-	1,833,042
Accounts payable	-	-	-	548,594	-	548,594
Due to shareholders' operations	14,791,630	-	14,791,630	-	-	-
<b>TOTAL LIABILITIES</b>	<b>62,497,986</b>	<b>557,957</b>	<b>63,055,943</b>	<b>2,381,636</b>	<b>-</b>	<b>2,381,636</b>

R. Venkatesh

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

**22 RISK MANAGEMENT (continued)**

**e) Liquidity risk (continued)**

*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.

**g) Capital management**

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

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

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

**h) Regulatory framework risk**

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

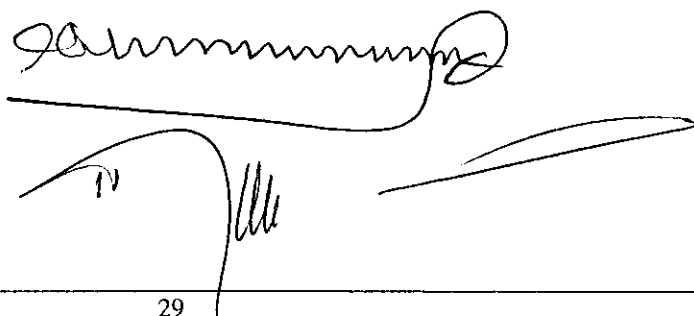
**i) Fair values of financial instruments**

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include Cash and cash equivalents, statutory deposit, due from related parties; its financial liabilities consist of gross outstanding claims and payables. Accounting policies for financial assets and liabilities are set out in note 6.

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

R. Khatib

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2010

**23 CONTINGENCIES AND COMMITMENTS**

*a) Legal proceedings and regulations*

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

*b) Operating lease commitments*

The minimum future lease payments for the use of the Company's premises total SR 1,803,570 payable during 2011 (2009: 1,278,628, payable during 2010).

**24 NET UNDERWRITING SURPLUS**

Net underwriting surplus for the year/period is as follows:

	<i>Year ended 31 December 2010 SR</i>	<i>Period from 25 August 2009 to 31 December 2009 SR</i>
Net premiums earned	216,682,021	10,169,540
Commission income	34,023,406	1,228,807
Policy acquisition costs	(51,558,086)	(1,797,131)
Net claims incurred	(167,131,130)	(3,343,201)
<b>Net underwriting surplus</b>	<b>32,016,211</b>	<b>6,258,015</b>

**25 BASIC AND DILUTED LOSS PER SHARE FOR THE YEAR**

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

**26 COMPARATIVE INFORMATION**

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

**27 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 19 Rabi Awal 1432H corresponding to 22 February 2011.

*R. Kharhatuh*

*[Signature]*

*[Signature]*