

**AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**REISSUED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT**

**FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008)
TO DECEMBER 31, 2009**

**AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**REISSUED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009**

INDEX	PAGE
Independent auditors' report	1-2
Reissued statement of financial position	3-4
Reissued statement of insurance operations and accumulated surplus	5
Reissued statement of stockholders' comprehensive income	6
Reissued statement of changes in stockholders' equity	7
Reissued statement of insurance operations cash flows	8
Reissued statement of stockholders' cash flows	9
Notes to the reissued financial statements	10 – 37

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INDEPENDENT AUDITORS' REPORT TO THE STOCKHOLDERS OF AL SAGR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying reissued statement of financial position of Al Sagr Cooperative Insurance Company – A Saudi Joint Stock Company ('the Company') as at December 31, 2009 and the related reissued statements of insurance operations and accumulated surplus, reissued stockholders' comprehensive income, reissued changes in stockholders' equity, reissued statements of insurance operations cash flows and reissued statement of stockholders' cash flows for the period then ended and the notes 1 to 32 which form an integral part of these reissued financial statements. These reissued 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 Saudi 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 reissued 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 reissued financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the reissued financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall reissued financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the reissued financial statements.

UNQUALIFIED OPINION

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

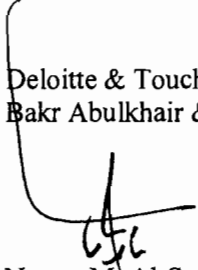
1. Present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards; and
2. Comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the reissued financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE STOCKHOLDERS OF AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

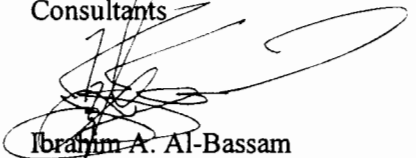
EMPHASIS OF MATTERS

- We draw attention to note 5 of the reissued financial statements, that the Company reissued these financial statements as at December 31, 2009 as the reasons for the qualification in our Audit Report dated February 15, 2010 on that financial statements are no longer relevant, having received the approval from respective regulatory parties on transfer the insurance portfolio and net assets of Al Sagr Saudi Insurance Company, a Bahraini closed (Exempted) joint stock company.
- These reissued financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

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25 Shawwal, 1431H
October 4, 2010



AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	<u>Notes</u>	<u>SR</u>
INSURANCE OPERATIONS' ASSETS		
Cash and cash equivalents	6	32,985,288
Investment in companies	13	1,244,428
Premiums and insurance balances receivable	7	87,536,002
Reinsurers' share of unearned premiums	8	17,136,469
Reinsurers' share of outstanding claims	9	28,532,972
Deferred policy acquisition costs	10	3,662,432
Prepayments and other assets	11	3,871,280
Property and equipment	12	3,195,441
		<hr/>
TOTAL INSURANCE OPERATIONS' ASSETS		178,164,312
		<hr/>
STOCKHOLDERS' ASSETS		
Cash and cash equivalents	6	20,198,500
Investments	13	171,573,055
Prepayments and other assets	11	187,969
Due from insurance operations		2,668,464
Goodwill	5	39,013,750
Statutory deposit	14	20,000,000
		<hr/>
TOTAL STOCKHOLDERS' ASSETS		253,641,738
		<hr/>
TOTAL ASSETS		431,806,050
		<hr/> <hr/>

The accompanying notes 1 to 32 form an integral part of these reissued financial statements.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2009

	<u>Notes</u>	<u>SR</u>
INSURANCE OPERATIONS' LIABILITIES		
Accounts payable		15,149,507
Reinsurance balances payable		12,901,424
Unearned commission income	17	3,718,463
Unearned premiums	8	65,452,669
Outstanding claims	9	67,642,427
Accrued expenses and other liabilities	15	7,429,155
Due to stockholders' comprehensive income		2,668,464
Due to related parties		884,133
Surplus distribution payable		296,496
End-of-service indemnities	16	2,021,574
		<hr/>
TOTAL INSURANCE OPERATIONS' LIABILITIES		178,164,312
		<hr/>
STOCKHOLDERS' LIABILITIES AND EQUITY		
STOCKHOLDERS' LIABILITIES		
Due to a related party	22	44,750,795
Accrued expenses and other liabilities	15	5,976,903
		<hr/>
TOTAL STOCKHOLDERS' LIABILITIES		50,727,698
		<hr/>
STOCKHOLDERS' EQUITY		
Share capital	23	200,000,000
Statutory reserve	25	582,808
Retained earnings		2,331,232
		<hr/>
TOTAL STOCKHOLDERS' EQUITY		202,914,040
		<hr/>
TOTAL STOCKHOLDERS' LIABILITIES AND EQUITY		253,641,738
		<hr/>
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND STOCKHOLDERS' EQUITY		431,806,050
		<hr/> <hr/>

The accompanying notes 1 to 32 form an integral part of these reissued financial statements.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

	Notes	SR
Gross premiums written	22	170,968,187
Less: Reinsurance premium ceded		(44,132,926)
Excess of loss premium		(1,425,957)
NET PREMIUMS WRITTEN		125,409,304
Change in unearned premiums, net	8	(2,667,879)
NET PREMIUMS EARNED		122,741,425
Gross claims paid and other expenses	9	(93,348,168)
Reinsurers' share of gross claims paid	9	7,823,590
Change in outstanding claims, net	9	(10,512,887)
NET CLAIMS INCURRED		(96,037,465)
Policy acquisition costs	10	(9,411,913)
Commission income	17	9,537,008
NET UNDERWRITING RESULT		26,829,055
General and administrative expenses	18	(23,342,692)
Other expenses	20	(521,403)
INSURANCE OPERATIONS' SURPLUS		2,964,960
Insurance operations' surplus transferred to stockholders' comprehensive income		(2,668,464)
Insurance operations' surplus after stockholders' appropriation		296,496
Distributable surplus		(296,496)
ACCUMULATED SURPLUS, END OF THE PERIOD		-

The accompanying notes 1 to 32 form an integral part of these reissued financial statements.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF STOCKHOLDERS' COMPREHENSIVE INCOME
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

	<u>Notes</u>	<u>SR</u>
REVENUE		
Insurance operations surplus		2,668,464
Commission income		14,715,684
		<u>17,384,148</u>
Costs and expenses		
General and administration expenses	18	(1,482,670)
Incorporation and floatation expenses	19	(7,987,438)
		<u>7,914,040</u>
NET INCOME FOR THE PERIOD BEFORE ZAKAT		
Zakat	21	(5,000,000)
		<u>2,914,040</u>
NET INCOME		
Other comprehensive expenses/income		-
		<u>2,914,040</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
		<u><u>2,914,040</u></u>
Earnings per share for the period		
	24	0.15
Weighted average number of outstanding shares		
		<u><u>20,000,000</u></u>

The accompanying notes 1 to 32 form an integral part of these reissued financial statements.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
Issue of share capital	200,000,000	-	-	200,000,000
Comprehensive income for the period	-	-	2,914,040	2,914,040
Transfer to statutory reserve	-	582,808	(582,808)	-
December 31, 2009	200,000,000	582,808	2,331,232	202,914,040

The accompanying notes 1 to 32 form an integral part of these reissued financial statements.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

	<u>Note</u>	<u>SR</u>
OPERATING ACTIVITIES		
Insurance operations' surplus after stockholders' appropriation		296,496
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:		
Depreciation		705,709
Reinsurance share of unearned premiums		(3,954,817)
Reinsurers' share of outstanding claims		5,914,444
Deferred policy acquisition costs		(651,861)
Unearned premiums		6,622,696
Unearned commission income		957,221
Outstanding claims		4,598,443
End-of-service indemnities		1,750,289
Loss on disposal of property and equipment		418
		<u>16,239,038</u>
Premiums and insurance balances receivable		(21,002,533)
Prepayments and other assets		(3,312,538)
Accounts payable		13,752,101
Reinsurance balances payable		9,884,261
Accrued expenses and other liabilities		(89,957)
Due to a related party		884,133
Due to stockholders' comprehensive income		2,668,464
		<u>19,022,969</u>
Cash generated from operations		19,022,969
End-of-service indemnities paid		(3,345,982)
		<u>15,676,987</u>
Net cash from operating activities		15,676,987
INVESTING ACTIVITIES		
Purchase of property and equipment		(2,478,730)
Proceeds from disposal of property and equipment		10,000
		<u>(2,468,730)</u>
Net cash used in investing activities		(2,468,730)
Net change in cash and cash equivalents		13,208,257
Cash and cash equivalents acquired	5	<u>19,777,031</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	6	<u>32,985,288</u>

The accompanying notes 1 to 32 form an integral part of these reissued financial statements.

**AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF STOCKHOLDERS' CASH FLOWS
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009**

	<u>Note</u>	<u>SR</u>
OPERATING ACTIVITIES		
Net income for the period before zakat		7,914,040
Adjustment for:		
Unrealised commission income		(333,245)
Changes in assets and liabilities:		
Prepayments and other assets		(187,969)
Due from insurance operations		(2,668,464)
Statutory deposit		(20,000,000)
Due to a related party		5,737,045
Accrued expenses and other liabilities		976,903
Net cash used in operating activities		<u>(8,561,690)</u>
INVESTING ACTIVITIES		
Additions to investments		(171,239,810)
Net cash used in investing activities		<u>(171,239,810)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of share capital		200,000,000
Net cash from financing activities		<u>200,000,000</u>
Net change in cash and cash equivalents		<u>20,198,500</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	6	<u><u>20,198,500</u></u>

The accompanying notes 1 to 32 form an integral part of these reissued financial statements.

NOTES TO THE REISSUED FINANCIAL STATEMENTS
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Al Sagr Cooperative Insurance Company (the "Company") is a Saudi Joint Stock Company registered on 26 Muharram 1429H (February 4, 2008) under commercial registration number 1010243765, which was later amended to 2051036871 dated 23 Rabi I, 1429H (March 31, 2008), issued in Dammam, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law of Supervision of Cooperative Insurance Companies and its implementing regulations and laws and regulations in the Kingdom of Saudi Arabia. On 23 Rabi,I, 1429H (March 31, 2008), the Company received the license from Saudi Arabian Monetary Agency (SAMA) to transact insurance business in the Kingdom of Saudi Arabia.

As per the By-laws of the Company, the first financial year of the Company shall cover the period from the date of the Ministerial decision approving the formation of the Company (i.e. January 9, 2008) until the December 31 of the following Gregorian year which is December 31, 2009 and accordingly the accompanying reissued financial statements do not include comparative figures. The accompanying reissued financial statements cover the period from inception January 9, 2008 to December 31, 2009. The Company commenced insurance operations on 4 Muharam 1430H (corresponding to January 1, 2009).

The Company's principal place of business is in Dammam, Kingdom of Saudi Arabia.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Standards affecting the disclosures and presentation in the current year

The following revised Standards have been adopted in the current year which is effective for annual periods beginning on or after January 1, 2009 and have affected disclosures and presentations in the reissued financial statements. Details of other Standards adopted in these reissued financial statements but that have had no effect on the amounts reported are set out in Note 2.2.

IAS 1 (revised 2007) Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. However, the Company's financial statements do not include items which require equity to be presented in two separate statements. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement as part of a statement of income, or in a separate linked statement as a statement of comprehensive income. The Company has elected to present a statement of comprehensive income as a one single statement as part of a statement of income.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value and liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 31.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 8 'Operating Segments':

The Company has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

2.2 Standards adopted with no effect on the reissued financial statements

The following new and revised Standards and Interpretations have also been adopted in these reissued financial statements. Their adoption has not had any significant impact on the amounts reported in these reissued financial statements but may affect the accounting for future transactions or arrangements.

		Effective for annual periods beginning on or after
<i>New Interpretations:</i>		
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 18	Transfers of Assets from Customers	Transfers received on or after July 1, 2009
<i>Amendments to Standards and Interpretations:</i>		
IFRS 1	First-time Adoption of International Financial Reporting Standards-Amendment relating to cost of an investment on first time adoption	January 1, 2009
IFRS 2	Share based payment-Amendment relating to vesting conditions and cancellations	January 1, 2009
IAS 1	Presentation of Financial Statements-Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 23	Borrowing Costs-Comprehensive revision to prohibit immediate expensing	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements-Amendment relating to cost of an investment on first time adoption	January 1, 2009
IAS 32	Financial Instruments: Presentation - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IFRIC 9 & IAS 39	Amendments relating to Embedded Derivatives	Annual period ending on or after June 30, 2009
Various Standards	Certain amendments resulting from May 2008 Annual Improvements to IFRS's	Various

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorization of these reissued financial statements, the following Standards and Interpretations were in issue but not effective:

		Effective for annual periods beginning on or after
<i>New Interpretations:</i>		
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
<i>New Standard:</i>		
IFRS 9	Financial Instruments	January 1, 2013
<i>Amendments to Standards and Interpretations:</i>		
IFRS 2	Share-based payment- Amendments relating to group cash settled share-based payment transactions	January 1, 2010
IFRS 3	Business Combinations- Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 8	Operating Segments – Amendments for disclosure of segment assets	January 1, 2010
IAS 24	Related Party Disclosures	January 1, 2011
IAS 27	Consolidated and Separate Financial Statements- Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: Presentation	February 1, 2010
IAS 39	Financial Instruments: Recognition and Measurement- Amendments for eligible hedged Items	July 1, 2009
Various Standards	Amendments resulting from May 2008 and April 2009 Annual Improvements to IFRS's	Various
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011

The Directors anticipate that all of the above Standards and Interpretations as applicable, will be adopted in the Company's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the reissued financial statements of the Company in the period of initial application.

3. BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The management prepared these reissued financial statements in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in Kingdom of Saudi Arabia.

Use of estimates in the preparation of financial statements

The preparation of reissued financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reissued financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further, details of the specific estimates and judgments made by management are given in the accounting policy notes below under note 4.

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

Accounting convention

The reissued financial statements are prepared under the historical cost convention except for revaluation of certain financial assets.

Basis of presentation

The Company maintains separate books of account for the insurance operations and stockholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and approved by the Board of Directors.

Functional and presentational currency

The reissued financial statements are presented in Saudi Riyals being the functional currency of the Company.

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.

Goodwill

Purchase price paid in excess of fair value of net assets is considered as goodwill. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future periods.

Property and equipment

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the reissued statement of insurance operations and accumulated surplus on a straight line basis based on the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	10
Furniture, fixtures and office equipment	4 - 10
Computers	4 - 10
Motor vehicles	4

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

All investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Premiums and discounts are amortized on a systematic basis to their maturity. For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

(a) Available for sale investments

Investments which are classified as "available for sale" are subsequently measured at fair value. Available for sale investments are those investments that are not held-to-maturity nor held for trading. For an available for sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly in the reissued statement of stockholders' comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss previously recognised in the statements of stockholders' comprehensive income should be included in the reissued statement of stockholders' comprehensive income for the period. Available for sale investments whose fair value can not be reliably measured are carried at amortised cost less impairment provision.

(b) Investments in held to maturity securities

Investments which have fixed or determined payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of stockholders' comprehensive income when the investment is derecognized or impaired.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the reissued statement of stockholders' comprehensive income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the statement of stockholders' comprehensive income.
- For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is determined based on future cash flows that are discounted at the original effective special commission rate.

Zakat

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis at the period end and is charged to reissued statement of stockholders' comprehensive income in accordance with Saudi Arabian fiscal Regulations. The zakat charged is computed on the Saudi stockholder's/GCC Nationals' share of zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commission income

Commission income from time deposits is recognized on an effective yield basis.

Incorporation and floatation expenses

Incorporation and floatation expenses include expenses which do not have future benefits and accordingly were written off in the first year after incorporation.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

Fair values of financial instruments

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. The Company's financial assets consist of cash and cash equivalents, statutory deposit, held for trading investments, available for sale investments and other assets and its financial liabilities consist of payables and other liabilities.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

Accounts payable, accrued expenses and other liabilities

Accounts payable, accrued expenses and other liabilities are carried at cost which is the fair value of the consideration to be paid in the future for the services received, whether or not billed to the Company.

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

End-of-service indemnities

Employees' end-of-service indemnities are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Arabian Labor Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee be terminated at the statement of financial position date. End-of-service payments are based on employee's final salaries and allowances and their cumulative years of service, as stipulated by the Saudi Arabian Labor Regulations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reissued statement of financial position date. All differences are taken to the reissued statements of insurance operations and accumulated surplus and stockholders' comprehensive income.

Statutory reserve

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the reissued 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 liability simultaneously. Income and expense are not offset in the reissued statement of insurance operations and accumulated surplus and reissued statement of stockholders' comprehensive income unless required or permitted by any accounting standard or interpretation.

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.

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:

- Premium written in last three months of the financial year for marine cargo business
- Actual number of days for other lines of business

Premiums receivable

Premiums receivable are recognized 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, with the impairment loss recorded in the statement of insurance operations and accumulated surplus. Premiums receivable are derecognized when the de-recognition criteria for financial assets have been met.

Premium deficiency reserve

The Company carries out an analysis of loss/combined ratios for the expired period. Such ratios are being calculated by taking into account the relevant incurred but not reported provision and then used for the determination of premium deficiency reserve for each class of business.

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 reissued statement of insurance operations and accumulated surplus as incurred.

Gross outstanding claims comprise the 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 at the date of statement of financial position 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 at date of statement of financial position. The ultimate liability may be in excess of or less than the amount provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Any difference between the provisions at the date of reissued 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 each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the reissued statement of insurance operation and accumulated surplus and an unexpired risk provision is created.

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of insurance operations.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Claims recoveries receivable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

Unearned commission income

Commission income on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. Amortisation is recorded in the statement of insurance operations and accumulated surplus.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs 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 organized into business units based on their products and services and has three reportable operating segments as follows:

- Health insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Other classes, which covers any other classes of insurance not included above.

Stockholders' income is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss 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 accompanying reissued 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.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

The 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 needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

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 acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortized in the reissued statement of insurance operations and accumulated surplus over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

5. ASSETS AND LIABILITIES PURCHASE AGREEMENT AND COMMENCEMENT OF ACTIVITIES

The Company started its insurance operations on January 1, 2009. The Company's General Assembly approved on February 1, 2009 for the Company to enter into an agreement whereby it will acquire the insurance portfolio and net assets of Al Sagr Saudi Insurance Company with effect from January 1, 2009 at a goodwill of SR 39 million as set forth in SAMA's letter in this respect after completing the related procedures as required under SAMA's letter on November 10, 2008.

The Company acquired the insurance portfolio and the net assets of Al Sagr Saudi Insurance Company with effect from January 1, 2009, following the approval on the transfer from the respective authorities in 2010 and accordingly the management has reissued its financial statements for December 31, 2009 to include the effect of the transfer.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

The accompanying reissued financial statements include the assets and liabilities acquired under the said agreement and as follows:

	Value recognised at the date of acquisition SR
Assets	
Cash and cash equivalents	19,777,031
Investment in companies	1,244,428
Premiums and insurance balances receivable, net	66,533,469
Reinsurers' share of unearned premiums	13,181,652
Reinsurers' share of outstanding claims	18,303,363
Reinsurer's share of claims incurred but not reported	16,144,053
Deferred policy acquisition costs	3,010,571
Prepayments and other receivables	558,742
Property and equipment	1,432,838
Total assets	140,186,147
Liabilities	
Accounts payable	1,397,406
Reinsurance balances payable	3,017,163
Accrued expenses and other liabilities	7,519,112
End-of-service indemnities	3,617,267
Unearned commission income	2,761,242
Unearned premiums	58,804,643
Outstanding claims	41,160,072
Claims incurred but not reported (IBNR)	21,883,912
Premium deficiency reserve	25,330
Total liabilities	140,186,147
Net assets	-
Goodwill arising from acquisition transactions	39,013,750
Total cost of acquisition	39,013,750

The payment of goodwill will be made in accordance with SAMA guidelines in this respect. During the period, the Company did not settle any amount from the balance due for the acquisition of the insurance portfolio and the related net assets and liabilities of Al Sagr Saudi Insurance Company.

6. CASH AND CASH EQUIVALENTS

	2009	
	Insurance operations SR	Stockholders operations SR
Cash in hand	48,086	-
Cash at banks	32,937,202	20,198,500
	32,985,288	20,198,500

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

7. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2009
	SR
Premiums receivable	82,986,704
Receivables from Insurance and reinsurance Companies	410,034
Receivables from related parties	13,231,033
	96,627,771
Less: allowance for doubtful debts	(9,091,769)
	87,536,002

The aging analysis of premiums and insurance balances receivable is set out below as at December 31, 2009:

Amounts in SR	Neither past due nor impaired	Past due but not impaired		Total
		91 to 180 days	More than 180 days	
Premiums receivable	20,470,689	22,590,067	39,925,948	82,986,704
Receivables from Insurance and reinsurance companies	29,266	226,516	154,252	410,034
Receivables from related parties	877,013	4,286,691	8,067,329	13,231,033
	21,376,968	27,103,274	48,147,529	96,627,771

Premiums and insurance balances receivables comprise a large number of customers, related parties mainly within the Kingdom of Saudi Arabia as well as reinsurance companies. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. No individual or company accounts for more than 10% of the premiums receivable as at 31 December 2009. In addition, the five largest customers account for 25% of the premiums receivable as at 31 December 2009.

Unimpaired Premiums and insurance balances receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

8. MOVEMENT IN UNEARNED PREMIUMS

	2009 SR
Gross unearned premiums acquired (Note 5)	58,804,643
Premium deficiency reserve acquired (Note 5)	25,330
Gross unearned premiums as at 31 December 2009	<u>(65,452,669)</u>
Movement in unearned premiums, gross	<u>(6,622,696)</u>
Reinsurers' share of unearned premiums acquired (Note 5)	(13,181,652)
Reinsurers' share of unearned premiums as at 31 December 2009	<u>17,136,469</u>
Movement in reinsurance share of unearned premiums	<u>3,954,817</u>
Movement in unearned premiums, net	<u><u>(2,667,879)</u></u>

9. CLAIMS

	2009		
	Gross SR	Reinsurers' share SR	Net SR
Claims paid	93,348,168	(7,823,590)	85,524,578
Claims provided during the period	55,842,735	(21,036,609)	34,806,126
IBNR provided during the period	11,799,692	(7,496,363)	4,303,329
	<u>160,990,595</u>	<u>(36,356,562)</u>	<u>124,634,033</u>
Less: Acquisition during the period:			
Outstanding claims (Note 5)	41,160,072	(18,303,363)	22,856,709
Claims incurred but not reported (IBNR) (note 5)	21,883,912	(16,144,053)	5,739,859
	<u>63,043,984</u>	<u>(34,447,416)</u>	<u>28,596,568</u>
Incurred during the period	<u>97,946,611</u>	<u>(1,909,146)</u>	<u>96,037,465</u>
As at 31 December			
Outstanding claims	55,842,735	(21,036,609)	34,806,126
IBNR	11,799,692	(7,496,363)	4,303,329
	<u>67,642,427</u>	<u>(28,532,972)</u>	<u>39,109,455</u>
Less: Acquisition during the period:			
Outstanding claims (Note 5)	41,160,072	(18,303,363)	22,856,709
Claims incurred but not reported (IBNR) (note 5)	21,883,912	(16,144,053)	5,739,859
	<u>63,043,984</u>	<u>(34,447,416)</u>	<u>28,596,568</u>
	<u>4,598,443</u>	<u>5,914,444</u>	<u>10,512,887</u>

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

10. DEFERRED POLICY ACQUISITION COSTS

	2009 SR
Deferred policy acquisition cost acquired (Note 5)	3,010,571
Cost incurred during the period	10,063,774
Charge for the period	(9,411,913)
	<u>3,662,432</u>
At December 31	<u>3,662,432</u>

11. PREPAYMENTS AND OTHER ASSETS

	2009	
	Insurance operations SR	Stockholders operations SR
Prepaid rent	1,054,323	-
Employee advances	633,777	-
Advances to suppliers	46,638	-
Prepaid expenses	204,056	-
Deferred supervision fees	740,724	-
Others	1,191,762	187,969
	<u>3,871,280</u>	<u>187,969</u>

12. PROPERTY AND EQUIPMENT (POLICYHOLDERS)

	Leasehold improvements SR	Furniture, fixtures and office equipment SR	Computers SR	Motor vehicles SR	Total 2009 SR
Cost:					
Acquired (note 5)	789,572	589,112	730,934	103,006	2,212,624
Additions	448,327	475,056	1,462,347	93,000	2,478,730
Disposals	-	(28,928)	(13,231)	-	(42,159)
December 31, 2009	<u>1,237,899</u>	<u>1,035,240</u>	<u>2,180,050</u>	<u>196,006</u>	<u>4,649,195</u>
Depreciation:					
Acquired (note 5)	74,980	288,505	351,754	64,547	779,786
Provided during the period	105,056	79,779	479,255	41,619	705,709
Disposals	-	(22,359)	(9,382)	-	(31,741)
December 31, 2009	<u>180,036</u>	<u>345,925</u>	<u>821,627</u>	<u>106,166</u>	<u>1,453,754</u>
Net book value:					
December 31, 2009	<u>1,057,863</u>	<u>689,315</u>	<u>1,358,423</u>	<u>89,840</u>	<u>3,195,441</u>

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

13. INVESTMENTS

a) Investments are classified as follows:

	<u>2009</u>	
	<u>Insurance operations SR</u>	<u>Stockholders operations SR</u>
Available for sale investments	1,244,428	18,800,000
Held for trading investment	-	152,773,055
	<u>1,244,428</u>	<u>171,573,055</u>

b) The analysis of the composition of investments is as follows:

	<u>2009</u>		
	<u>Quoted SR</u>	<u>Unquoted SR</u>	<u>Total SR</u>
Investments in companies	-	1,244,428	1,244,428
Preference shares	18,800,000	-	18,800,000
Mutual funds	-	152,773,055	152,773,055
Total	<u>18,800,000</u>	<u>154,017,483</u>	<u>172,817,483</u>

Investments in companies represent shares purchased in Najm for Insurance Services and Saudi Next Care.

c) The analysis of investments by counterparties is as follows:

	<u>2009 SR</u>
Companies	1,244,428
Banks and financial institutions	171,573,055
Total	<u>172,817,483</u>

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

13. INVESTMENTS (continued)

d) Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2009			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Held for trading investments				
Mutual funds	-	152,773,055	-	152,773,055
Available for sale investments				
Preference shares	-	18,800,000	-	18,800,000
Investment in companies	-	-	1,244,428	1,244,428
Total investments	-	171,573,055	1,244,428	172,817,483

14. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of Saudi Arabian Monetary Agency.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2009	
	Insurance operations SR	Stockholders operations SR
Accrued bonus	785,814	-
Accrued supervision fees	1,440,665	-
Accrued commission	4,520,628	-
Provision for zakat (Note 21)	-	5,000,000
Advance premium	23,544	-
Other accrued expenses	658,504	976,903
	7,429,155	5,976,903

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

16. END-OF-SERVICE INDEMNITIES

	<u>2009</u> <u>SR</u>
End-of-service indemnities acquired (Note 5)	3,617,267
Charged during the period (Note 18)	1,750,289
Paid during the period	<u>(3,345,982)</u>
December 31	<u><u>2,021,574</u></u>

17. UNEARNED COMMISSION INCOME

	<u>2009</u> <u>SR</u>
Unearned commission income acquired (Note 5)	2,761,242
Commission received during the period	10,494,229
Commission earned during the period	<u>(9,537,008)</u>
December 31	<u><u>3,718,463</u></u>

18. GENERAL AND ADMINISTRATIVE EXPENSES

	For the period from inception (January 9, 2008) to December 31, 2009	
	Insurance operations SR	Stockholders operations SR
Salaries and benefits	12,701,651	626,391
Supervision and inspection fees	4,159,030	-
End of service indemnities (note 16)	1,750,289	-
Rent (note 30)	1,200,536	86,667
Depreciation and amortization	705,709	-
Withholding taxes on reinsurance payments	615,100	-
Stationery	456,769	-
Utilities	454,308	-
Business travel and transport	320,396	-
Professional fees	176,576	387,500
Repair and maintenance	112,313	-
Promotion and advertising	54,961	9,000
Others	635,054	373,112
	<u><u>23,342,692</u></u>	<u><u>1,482,670</u></u>

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

19. INCORPORATION AND FLOATATION EXPENSES

	For the period from inception (January 9, 2008) to December 31, 2009 SR
Initial public offering expenses	3,275,179
Bank charges and guarantee fees	925,943
Feasibility and valuation reports related expenses	2,402,985
Other expenses	1,383,331
	<u>7,987,438</u>

20. OTHER EXPENSES

	For the period from inception (January 9, 2008) to December 31, 2009 SR
Loss on disposal of property and equipment	418
Others	520,985
	<u>521,403</u>

21. ZAKAT

a) Zakat charge for the period

The principal elements of zakat are as following:

	2009 SR
Non-current assets	20,000,000
Share capital	200,000,000
Available for sale investment	20,044,428
Net income for the period before zakat	7,914,040

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

b) Movement in the provision for zakat during the period

The movement in zakat provision is as follows:

	<u>SR</u>
Provision for the period	5,000,000
At December 31	<u>5,000,000</u>

The charge for the period of zakat is as follows:

	<u>SR</u>
Zakat for the period	5,000,000
Charged to statement of stockholders' comprehensive income	<u>5,000,000</u>

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following are the details of major related parties transactions during the period and the related balances at the end of the period:

Related parties	Nature of transactions	Amounts of transactions for the period from inception (January 9, 2008) to	
		December 31, 2009 SR	Balance as at December 31, 2009 SR
Affiliates	Due to an affiliate (Al Sagr Saudi Insurance Company) for purchasing assets and liabilities (note 5)	39,013,750	(39,013,750)
	Incorporation and floatation expenses paid on behalf of the Company	7,987,438	(5,737,045)
	Rent expense	520,000	-
Shareholders	Gross written premium	13,577,248	13,231,033
	Claims incurred on insurance policies	(5,179,230)	(4,295,097)

Compensation of key management personnel

The remuneration of directors and other key management personnel during the period were as follows:

	<u>SR</u>
Salaries and benefits	2,692,577
End-of-service indemnities	<u>503,845</u>
	<u>3,196,422</u>

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

23. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million at December 31, 2009 consisting of 20 million shares of SR 10 each, held as follows:

	Authorized and issued		Paid up
	Shares	Amount	Amount
		SR	SR
Held by the public	8,400,000	84,000,000	84,000,000
Held by founding stockholders	11,600,000	116,000,000	116,000,000
	20,000,000	200,000,000	200,000,000

24. EARNINGS PER SHARE FOR THE PERIOD

Earning per share for the period have been calculated by dividing the net income for the period by the outstanding shares at the end of the period amounting to 20 million shares.

25. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company has established a statutory reserve by the appropriation of 20% of net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution.

26. GEOGRAPHICAL DISTRIBUTION

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia, except for available for sale investment held in Bahrain.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values with the exception of investments in companies which are carried at cost.

28. COMMITMENTS AND CONTINGENCIES

a) Legal proceedings

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. The Company's management, based on independent legal advice, believes that the outcome of these court cases will not have a material impact on the Company's income or financial condition.

b) Capital commitments

As at 31 December 2009, the Company had outstanding capital commitments of SR 380 thousand in respect of purchase of property and equipment.

29. 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 and other expenses.

Segment assets do not include cash and cash equivalents, investment in companies, premiums and insurance balances receivable, prepayments and other receivables, due from related parties, and property and equipment.

Segment liabilities do not include accounts payable, reinsurance balances payable, accrued expenses and other liabilities, due to stockholders' comprehensive income, unearned commission income and end-of-service indemnities.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)

FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

Operating Segments

For the period ended 31 December 2009	Medical SR	Motor SR	Others SR	Total SR
Insurance operations				
Gross premiums written	98,897,313	29,125,646	42,945,228	170,968,187
Net premiums earned	93,277,299	23,750,039	5,714,087	122,741,425
Net underwriting result	15,135,262	(254,904)	11,948,697	26,829,055
Unallocated expenses	-	-	-	23,864,095
Insurance operations' surplus	-	-	-	2,964,960
As at 31 December 2009				
Insurance operations' assets				
Reinsurers' share of unearned premiums	4,208,006	703,164	12,225,299	17,136,469
Deferred policy acquisition costs	1,969,705	644,546	1,048,181	3,662,432
Reinsurers' share of outstanding claims	1,031,073	2,484,272	25,017,627	28,532,972
Unallocated assets	-	-	-	128,832,439
				<u>178,164,312</u>
Insurance operations' liabilities				
Unearned premiums	42,697,439	8,053,273	14,701,957	65,452,669
Outstanding claims	20,310,123	20,543,412	26,788,892	67,642,427
Unearned commission income	799,236	26,931	2,892,296	3,718,463
Unallocated liabilities	-	-	-	41,350,753
				<u>178,164,312</u>

30. OPERATING LEASE ARRANGEMENTS

	For the period from inception (January 9, 2008) to December 31, 2009	
	Insurance operations SR	Stockholders operations SR
Payments under operating leases recognized as an expense during the year	<u>1,200,536</u>	<u>86,667</u>
	<u>1,200,536</u>	<u>86,667</u>

Operating lease payments represent rentals payable by the Company for certain office premises.

31. RISK MANAGEMENT

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, regulatory framework, credit, liquidity, foreign currency, commission rate, and market risks.

31. RISK MANAGEMENT (continued)

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 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.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedures and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

The risks faced by the Company and the manner in which these risks are mitigated by management are summarized below:

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

Insurance risk management

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies and procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local market are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary.

31. RISK MANAGEMENT (continued)

Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly medical, motor, fire and burglary, general accident and marine classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Fire and Burglary

Fire and burglary insurance contracts, with the main peril being fire damage and other allied perils resulting there from, are underwritten either on replacement value or an indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims.

In respect of accumulation of the retentions under the property business, this is covered by proportional treaties.

Motor

For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The Company has a concentration in motor insurance which accounts for 17 % of gross written premium.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

General Accident and Workmen's Compensation

For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine

In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional treaties.

Concentration of insurance risk

The Company does not have insurance contract covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation. The Company does not have any material claims where the amount and timing of payment is not resolved within one year of the reporting date.

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, 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 of 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 to SR 30,000.

31. RISK MANAGEMENT (continued)

Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

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 assets held by the Company, the maximum exposure to credit risk 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:

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the investment committee in accordance with the investment policy established by the investment committee.
- The Company, with respect to credit risk arising from other financial assets, is restricted to commercial banks having strong financial positions and credit ratings.
- There are no significant concentrations of credit risk within the Company.

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

	2009	
	Insurance operations SR	Stockholders operations SR
Cash and cash equivalents	32,985,288	20,198,500
Investments	1,244,428	171,573,055
Premiums and insurance balances receivable	96,627,771	-
Reinsurers' share of outstanding claims	28,532,972	-
Other assets	1,872,177	-
	<u>161,262,636</u>	<u>191,771,555</u>

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

31. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in time deposits with local banks.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations:

	2009		Total SR
	Up to one year SR	More than one year SR	
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	15,149,507	-	15,149,507
Reinsurance balances payable	12,901,424	-	12,901,424
Accrued expenses and other liabilities	5,887,161	-	5,887,161
Due to related parties	884,133	-	884,133
Gross outstanding claims	67,642,427	-	67,642,427
	<u>102,464,652</u>	<u>-</u>	<u>102,464,652</u>
STOCKHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	145,000	-	145,000
Due to a related party	44,750,795	-	44,750,795
	<u>44,895,795</u>	<u>-</u>	<u>44,895,795</u>
TOTAL FINANCIAL LIABILITIES	<u><u>147,360,447</u></u>	<u><u>-</u></u>	<u><u>147,360,447</u></u>

Liquidity profile

None of the financial liabilities on the reissued statement of financial position are based on discounted cash flows and are all payable on a basis as set out above.

AL SAGR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE REISSUED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM INCEPTION (JANUARY 9, 2008) TO DECEMBER 31, 2009

31. RISK MANAGEMENT (continued)

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

	2009		
	SR SR	US Dollar SR	Total SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	31,700,452	1,284,836	32,985,288
Investment in companies	1,244,428	-	1,244,428
Premiums and insurance balances receivable	96,627,771	-	96,627,771
Reinsurers' share of outstanding claims	28,532,972	-	28,532,972
Other assets	1,872,177	-	1,872,177
TOTAL INSURANCE OPERATIONS' ASSETS	159,977,800	1,284,836	161,262,636
STOCKHOLDERS' ASSETS			
Cash and cash equivalents	20,198,500	-	20,198,500
Investments	152,773,055	18,800,000	171,573,055
TOTAL STOCKHOLDERS' ASSETS	172,971,555	18,800,000	191,771,555
TOTAL ASSETS	332,949,355	20,084,836	353,034,191
	2009		
	SR SR	US Dollar SR	Total SR
INSURANCE OPERATIONS' LIABILITIES			
Accounts payable	15,149,507	-	15,149,507
Reinsurance balances payable	12,901,424	-	12,901,424
Accrued expenses and other liabilities	5,887,161	-	5,887,161
Due to related parties	884,133	-	884,133
Gross outstanding claims	67,642,427	-	67,642,427
	102,464,652	-	102,464,652
STOCKHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	145,000	-	145,000
Due to a related party	44,750,795	-	44,750,795
TOTAL STOCKHOLDERS' LIABILITIES	44,895,795	-	44,895,795
TOTAL LIABILITIES	147,360,447	-	147,360,447

31. RISK MANAGEMENT (continued)

Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the company to cash flow commission risk, whereas fixed commission rate instruments expose the company to fair value interest risk.

The Company is exposed to commission rate risk on certain of its investments, cash and cash equivalents, and time deposits. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

The following table demonstrates the sensitivity of statement of stockholders' comprehensive income to reasonably possible changes in commission rates, with all other variables held constant.

The sensitivity of the statement of stockholders' comprehensive income is the effect of the assumed changes in commission rates on the Company's income for the period, based on the floating rate financial assets and financial liabilities held as at December 31:

	Change in basis points	Effect on comprehensive income for the period SR
2009	25	+473,600
		-

i) Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company has unquoted equity instruments carried at cost or indicative selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of stockholders' comprehensive income will be impacted.

31. RISK MANAGEMENT (continued)

Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise stockholders' 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 stockholders or issue 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.

32. APPROVAL OF THE REISSUED FINANCIAL STATEMENTS

The reissued financial statements have been approved by the Board of Directors on October 4, 2010 corresponding to 25 Shawwal, 1431H.