

# Rights Issue Prospectus

Offering of 10,000,000 Ordinary Shares at an Offer Price of SAR 10 per Share (a nominal price of SAR 10 per share) through a rights issue. The Offering represents an increase of SAR 100,000,000 in the share capital of the Company. The increase represents 100% percent of the current share capital of the Company.



Allied Cooperative Insurance Group (ACIG)

A Saudi Joint Stock Company in accordance with the Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 09/10/2006G) and Royal Decree No. M/60 promulgated on 18/09/1427H (corresponding to 11/10/2006G), with Commercial Registration No 4030171999.

The offering period is from 28/10/1433H (corresponding to 15/9/2012G) to 6/11/1433H (corresponding to 22/9/2012G).

Allied Cooperative Insurance Group ("ACIG"), (hereinafter referred to as "Saudi ACIG" or the "Company"), is a Saudi Joint Stock Company in accordance with the Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 09/10/2006G) and Royal Decree No. M/60 promulgated on 18/09/1427H (corresponding to 11/10/2006G), with Commercial Registration No 4030171999. The current Share Capital of the Company is SAR 100,000,000, consisting of 10,000,000 ordinary shares of equal value of SAR 10 each (each is referred to as an "Existing Share" and all are "Existing Shares", and all are fully paid. The major shareholders of the Company are: The Islamic Development Bank and Allied Cooperative Insurance Group (ACIG Bahrain).

The Rights Issue (the "Offering") will be of 10,000,000 new Shares (Referred to as "the New Shares" or the "Rights Issue Shares"), with a nominal value of SAR 10 each ("Offer Price"), to the registered eligible holders of Shares (each referred to as "Eligible Shareholder" and all as "Eligible Shareholders") as at the close of trading on the Extraordinary General Assembly Meeting (the "EGM") date which decided to increase the Share Capital of the Company (the "Eligibility Date") to increase the Company's Share Capital from 10,000,000 to 20,000,000 shares. A number of 1 new share will be allocated for every share held by the Eligible Shareholders as at the Eligibility Date.

The Rights Issue Shares will be allocated to Eligible Shareholders who have applied to subscribe for a number of Rights Issue Shares proportionate to the number of Shares held by them on the Eligibility Date. Any Remaining Rights Issue Shares not subscribed for by those entitled to them will be distributed to Eligible Shareholders who have applied for a number of Rights Issue Shares in excess of their proportionate holding as detailed in the "Subscription Terms and Conditions" section. Following the subscription, the share capital of the Company will be SAR 200,000,000 and the number of Shares will become 20,000,000 shares. The Company intends to use the proceeds from raising the Share Capital to maintain suitable levels of Statutory Reserve and solvency margin and invest in accordance with the investment vehicles stipulated in the Cooperative Insurance Companies Control Law. The estimated amount of funds available for investments stands at SAR 80 million. Please see section 11.8 "Use of Proceeds".

In its ninth meeting held in Jeddah on Tuesday 08/11/1430H (corresponding to 27/10/2009G), the Board of Directors issued its resolution No 77/10/2009G, approving the Extraordinary General Assembly Meeting resolution to increase the Share Capital of the Company from SAR 100 million to SAR 250 million. SAMA's approval was issued in their letter No. 2047/IS, dated 11/11/1431H (corresponding to 19/10/2010G) to increase the Company's Share Capital from SAR 100 million to SAR 200 million by offering ordinary Shares. The Board of Directors issued its resolution No. 2012-10, dated 26/06/2012G to approve the Extraordinary General Assembly resolution to increase the Company's Share Capital from SAR 100 million to SAR 200 million.

The Offering period will commence on 28/10/1433H (corresponding to 15/9/2012G) and will continue for a period of 8 days, so that the last day for the closing of the subscriptions will be 6/11/1433H (corresponding to 22/9/2012G) ("Offering Period"). Eligible subscribers (a "Subscriber" and collectively the "Subscribers") may submit their Subscription applications to the branches of the Receiving Agents ("Receiving Agents") indicated on page H of this prospectus during the Offering period. Acceptance and payments procedures are covered in Section 15 ("Subscription Terms and Conditions"). Excess subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager or Receiving Agents. Notification of the final allocation and refund of subscription monies, if any, will be made on 13/11/1433H (corresponding to 29/9/2012G) (see section 15 "Subscription Terms and Conditions").

The Company has only one class of Shares and no shareholder will have any preferential voting rights. The new shares will be fully paid and will equal exactly the outstanding shares. Each Share entitles its holder to one vote and each shareholder with at least twenty (20) Shares has the right to attend and vote at the general assembly meetings ("General Assembly Meeting") of the Company. The Offer Shares will be entitled to receive their portion of any dividends declared by the Company for the fiscal year ending on 31 December 2012 and the following years, if any (see section "Dividend Policy"). The Company's Shares are being traded publicly on the Saudi Stock Exchange ("Tadawul" or the "Exchange"). The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia ("CMA") for the admission of the New Shares to the Official List. Approval of this Prospectus has been granted and all supporting documents requested by the CMA have been completed. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the Shares and refunding the oversubscribed monies (see "Key Dates for Subscribers"). Following the commencement of trading in the Shares, Saudi nationals, Saudi companies, banks and investment funds, foreign individuals having an Iqama (resident permit) in the KSA, and GCC institutions will be permitted to trade in the Shares. Eligible Shareholders who are willing to buy the new shares must read the "Important Notice" and "Risk Factors" sections in this Prospectus for discussion of certain factors that must be taken into consideration before taking a decision with regard to subscription in the Rights Issue Shares.

Financial Advisor



Lead Manager And Underwriter



Receiving Agents



This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority of the Kingdom of Saudi Arabia (the "CMA"). The Directors, whose names appear on page D, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm having made all reasonable enquiries, that to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Arabian Stock Exchange Company (Tadawul) do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 18/10/1433H (corresponding to 5/9/2012G)

## **Rights Issue Prospectus**



## Important Notice

***This Prospectus provides details of information relating to the Company, the Offering and the Rights Issue Shares. When applying for the Rights Issue Shares, Eligible Shareholders will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the (Lead Manager) Aljazira Capital: [www.aljaziracapital.com.sa](http://www.aljaziracapital.com.sa), and branches of the Receiving Agents, and by visiting the Company's website: ([www.acig.com.sa](http://www.acig.com.sa)), or the Financial Advisor's website: [www.bmg.com.sa](http://www.bmg.com.sa), or the CMA's website: ([www.cma.org.sa](http://www.cma.org.sa)).***

The Company has appointed BMG Financial Group ("BMG") to act as the Financial Advisor in this regard and Aljazira Capital as the Lead Manager and the Lead Underwriter in relation to the Rights Issue of Shares to increase the Share Capital of the Company ("the "Offering").

This Prospectus includes details given in compliance with the Listing Rules issued by the CMA. The Directors, whose names appear on page D of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Arabian Stock Exchange Company (Tadawul) do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while none of the Company, its Financial Advisor, or the Company's advisors, whose names appear on pages F and G of this Prospectus, have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation, financing costs and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Founding Shareholders, or any of their Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and must rely on their own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The Rights Issue Offering is being made to, and is only capable of acceptance by registered holders of Shares at the close of trading on the Extraordinary General Assembly Meeting ("EGM") date which falls on 17/10/1433H (corresponding to 4/9/2012G). The distribution of this Prospectus and the sale of the New Shares to any other persons or in any jurisdiction are expressly prohibited. The Company and the Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

The Rights Issue Offering according to this Prospectus is subject to the Shareholders approval. An invitation for convening the EGM to approve the Rights Issue of the New Shares was published on 10/10/1433H (corresponding to 28/8/2012G).

## Financial and Statistical Information

The audited financial statements for the financial period starting from 31 December 2008G until 31 December 2011G, and the first quarter 2012G (un-audited) and the notes thereto, which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the international financial reporting standards. Such information has been audited by KPMG Al Fozan and Al Sadhan and Al Dar Audit Bureau. The Company publishes its financial statements in Saudi Arabian Riyals.

## Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain non-historic statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "intends", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be

expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in the ("Risk Factors") section of this Prospectus. Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Pursuant to the requirements of the Listing Rules, the Company shall publish a supplementary Prospectus if at any time after the Prospectus has been approved by the CMA and before Admission, it becomes aware that: (i) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules; or (ii) additional significant matters have become known that would have been required to be included in the Prospectus. With the exception of these two events, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

## Corporate Directory

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### Company Address

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**Allied Cooperative Insurance Group -ACIG**

Palestine Street, Jamjoom Commercial Center, Floor 12

P.O. Box 7076, Jeddah 21462

Kingdom of Saudi Arabia

Tel: +966-2-6633222

Fax: +966-2-6617421

E-mail: [www.acig.com.sa](http://www.acig.com.sa)

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المجموعة المتحدة للتأمين التعاوني  
Allied Cooperative Insurance Group



## Board of Directors

M	Name	Position	Nationality	Age	Appointment Date	No. of Shares	Representation	Role
1	Khalid Bin Hamad Al-Bassam	Chairman	Saudi	50	28/4/2010G	1,000		Independent/ Non-Executive
2	Mohammed Hani Bin Abdul-Qader Al Bakri	Member	Saudi	54	28/4/2010G	0	Representing ACIG - Bahrain	Non-Executive
3	Thamer Bin Abdullah Bin Rayes	Member	Saudi	33	28/4/2010G	1,025		Non-Executive
4	Hussam Bin Talal Al Gaz-zawi	Member	Saudi	44	28/4/2010G	1,000		Non-Executive
5	Suleiman Bin Abdullah Al Khuraiji	Member	Saudi	62	28/4/2010G	11,000		Independent/ Non-Executive
6	Khamis Bin Salim Al Qazah	Member	Saudi	50	28/4/2010G	0	Representing the Islamic Development Bank	Non-Executive
7	Abdul Latif Bin Moham-med Al-Sheikh	Member	Saudi	39	28/4/2010G	1,000		Independent/ Non-Executive
8	Majid Bin Khaled Al Muzairae	Member	Saudi	40	31/5/2011G	1,000		Independent/ Non-Executive
9	Ali Bin Hassan Al-Jasser Al- Shehri	Member	Saudi	36	31/5/2011G	15,405		Independent/ Non-Executive
10	Hisham Bin Mohammed Al-Shareef	Member	Saudi	42	11/6/2012G	1,000		Executive

Source: The Company

NOTE: IN ACCORDANCE WITH ARTICLE 38 (A) OF THE IMPLEMENTING REGULATIONS OF THE LAW OF SUPERVISION OF COOPERATIVE INSURANCE COMPANIES, NONE OF THE BOARD MEMBERS HOLDS 5% OR MORE OF THE COMPANY'S SHARES.

NOTE: THE SHARES HELD BY THE BOARD MEMBERS (1,000 SHARES) REPRESENT THE QUALIFYING SHARES FOR THE BOARD MEMBERSHIP ACCORDING TO ARTICLE 68 OF THE COMPANIES REGULATIONS.

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## Authorized Representatives of the Company

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**Khalid Bin Hamad Al-Bassam and  
Hisham Bin Mohammed Al-Shareef**

Palestine Street, Jamjoom Commercial Center, Floor 12  
P.O. Box 7076, Jeddah 21462  
Kingdom of Saudi Arabia  
Tel: +966-2-6633222  
Fax: +966-2-6617421  
E-mail: kalbassam@acig.com.sa, hms@acig.com.sa  
Website: www.acig.com.sa

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## Board of Directors' Secretary

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**Hassan Bin Awadh al-Hazmi**

Palestine Street, Jamjoom Commercial Center, Floor 12  
P.O. Box 7076, Jeddah 21462  
Kingdom of Saudi Arabia  
Tel: +966-2-6633222  
Fax: +966-2-6617421  
E-mail: h.hazmi@acig.com.sa  
Website: www.acig.com.sa

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## Shares Registrar

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**Tadawul**

NCCI Towers, Northern Tower  
King Fahad Road  
PO Box 60612  
Riyadh 11555  
Kingdom of Saudi Arabia  
(Tadawul) main No. is +966-1-218-9999  
Customer Services: +966-1-218-9090  
Website: www.tadawul.com.sa

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## Advisors

### Financial Advisor

#### **BMG Financial Group**

King Abdullah Street  
P.O. Box 67729, Riyadh 11517  
Kingdom of Saudi Arabia  
Tel: +966-1-4537722  
Fax: +966-1-4547544  
E-mail: [wbasrawi@bmg.com.sa](mailto:wbasrawi@bmg.com.sa)  
Website: [www.bmg.com.sa](http://www.bmg.com.sa)



### Legal Advisor for the Offering

#### **EK Partners & Al Enezee, Attorneys and Legal Advisors**

##### **Jointly with Squire Sanders (US), LLP**

Al Mustagbal Tower Building, Al Ma'athar Street, Riyadh  
P.O. Box 69171, Riyadh 11547  
Kingdom of Saudi Arabia  
Tel: +966-1-276 7372  
Fax: +966-1-276 6960  
E-mail: [whachem@ekplegal.com](mailto:whachem@ekplegal.com)  
Website: [www.squiresanders.com](http://www.squiresanders.com)



### Financial Due Diligence Advisor

#### **Al Bassam, Certified Public Accountants and Consultants**

Al Malaz, King Abdul Aziz Road  
Al Muhaisen Building, 9th Floor  
Kingdom of Saudi Arabia  
Tel: +966-1-2065333  
Fax: +966-1-2065444  
E-mail: [Ibrahim.albassam@sa-uhy.com](mailto:Ibrahim.albassam@sa-uhy.com)  
Website: [www.albassamcpa.com](http://www.albassamcpa.com)



### Chartered Accountants

#### **KPMG Al Fozan & Al Sadhan**

KPMG Building, 5th Floor  
Salahuddein Street  
P.O. Box 92876, Riyadh 11663  
Kingdom of Saudi Arabia  
Tel: +966-1-874 8670  
Fax: +966-1-874 8600  
E-mail: [ebaeshen@kpmg.com](mailto:ebaeshen@kpmg.com)  
Website: [www.kpmg.com.sa](http://www.kpmg.com.sa)



## Chartered Accountants

### Aldar Audit Bureau

Tower 4, 7th Floor  
Olaya Street  
P.O. Box 2195, Riyadh 11451  
Kingdom of Saudi Arabia  
Tel: +966-1-463 0680  
Fax: +966-1-464 5939  
E-mail: [infor@aldaraudit.com](mailto:infor@aldaraudit.com)  
Website: [www.aldaraudit.com](http://www.aldaraudit.com)



## Actuarial Expert

### Manar Sigma Financial Consulting for Insurance Consultations and Actuarial Services

Al Oroba Street Intersection with Turki the First Street  
P.O. Box 341905, Riyadh 11333  
Kingdom of Saudi Arabia  
Tel: +966-1-844 9281  
Fax: +966-1-841 2281  
E-mail: [chris.symeonidis@manarsigma.com](mailto:chris.symeonidis@manarsigma.com)  
Website: [www.manarsigma.com](http://www.manarsigma.com)



## Legal Counsel to Underwriter, Offering Manager and Receiving Banks

### Fahad Alarfaj

Law Office of Abdulaziz H. Alfahad  
4th Floor, Jarir Plaza, Olaya Street  
P.O. Box 15870  
Riyadh, Saudi Arabia  
Tel.: +966 1 4648081  
Fax.: +966 1 4624968



## Advertising Consultant

### ADVERT ONE

Al-Showaf International Company  
Al-Safowa Center, Al-Sulamaniah  
P O Box: 43307, Riyadh, 11561  
Kingdom of Saudi Arabia  
Tel: +966 1 2886632  
Fax: +966 1 2886631  
[www.advert1.com](http://www.advert1.com)



## Note:

The above advisors have given and have not withdrawn their written consent to the publication of their names, addresses and logos in the Prospectus, and do not themselves, or any of their employees, relatives or affiliates, as of the date of the Prospectus, have any shareholding or interest of any kind in the Company or any of its associates.



## Participating Banks

### Lead Manager and Underwriter

#### Aljazira Capital

Al Madinah Road, Al Musadiyah Commercial Center  
Tel: 026692669

P.O. Box 6277, Jeddah 21442

Kingdom of Saudi Arabia

E-mail: A.Abdulghani@aljaziracapital.com.sa

Website: www.aljaziracapital.com.sa



## Receiving Banks

#### Al Rajhi Banking & Investment Corporation

Head Office, Olaya Main Road

P.O. Box 28, Riyadh 11411

Kingdom of Saudi Arabia

Tel: +966 1 211 6000

Fax: +966 1 460 0705

Website: www.alrajhibank.com.sa

Al Rajhi Bank مصرف الراجحي



#### Bank Aljazira

Head Office, Khalid Bin Al Walid Street

P.O. Box 6277

Jeddah 21442

Kingdom of Saudi Arabia

Tel: +966 2 6518070

Fax: +966 2 6532478

Website: www.baj.com.sa



#### The National Commercial Bank

Head Office: King Abdul Aziz Road

P.O. Box 3555, Jeddah 21481

Kingdom of Saudi Arabia

Tel: +966 2 646 4999

Fax: +966 2 644 6488

Website: www.alahli.com.sa



#### Bank Al Bilad

Head Office: Riyadh, Al Malaz District, Siteen Street

P.O. Box 140, Riyadh 11411

Kingdom of Saudi Arabia

Tel: +966 1 479 8888

Fax: +966 1 479 8898

Website: www.bankalbilad.com



#### Saudi Hollandi Bank

Head Office: Riyadh, Dhabab Street

P.O. Box 1467, Riyadh 11431

Kingdom of Saudi Arabia

Tel: +966 1 401 0288

Fax: +966 1 403 1104

Website: www.shb.com.sa



## The Company's Main Bank

#### The National Commercial Bank

Head Office: King Abdul Aziz Road

P.O. Box 3555, Jeddah 21481

Kingdom of Saudi Arabia

Tel: +966 2 646 4999

Fax: +966 2 644 6488

Website :www.alahli.com.sa



## Summary of the Offering

The Company	Allied Cooperative Insurance Group ("ACIG"), (hereinafter referred to as "Saudi ACIG" or "Company"), is a Saudi Joint Stock Company in accordance with the Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 09/10/2006G) and Royal Decree No. M/60 promulgated on 18/09/1427H (corresponding to 11/10/2006G), with Commercial Registration No 4030171999. The current Share Capital of the Company is SAR 100,000,000, consisting of 10,000,000 ordinary shares of equal value of SAR 10 each.
Type of Issue	Rights Issue for Eligible Shareholders
Offer Price	SAR 10 per share
Nominal Value	SAR 10 per share
Total Number of Shares Issued and Outstanding Before the Offering	10,000,000 Ordinary Shares fully paid up
Current Capital of the Company Before Rights Issue	SAR 100,000,000
Total Number of Under-written Shares	10,000,000 Shares
Total Number of Issued Shares (Post Offering)	20,000,000 Shares
Percentage of Capital Increase	100%
Share Capital After Increase	SAR 200,000,000
Total Offering Value	SAR 100,000,000
Offering Costs	SAR 10,000,000
Total Offering Proceeds Net of Offering Costs	SAR 90,000,000
Eligibility Date	Close of trading on the date of the EGM which will vote for the proposed Share Capital increase as recommended by the Board of Directors, which falls on 17/10/1433H (corresponding to 4/9/2012G).
Offering Period	The Offering will commence on 28/10/1433H (corresponding to 15/9/2012G) and will remain open for a period of 8 days to and including 6/11/1433H (corresponding to 22/9/2012G)
Allocation Date	13/11/1433H (corresponding to 29/9/2012G)
Shareholders Eligible for New Shares	Eligible Shareholders who are registered in the Company's Shareholders Register as at the close of trading on the EGM meeting day.
Eligible Shareholders Who Are Not Subscribing to the Offering	Eligible Shareholders who do not subscribe for Rights Issue Shares will be subject to a decrease in the percentage of their ownership, and in their voting rights, in the Company. In accordance with the requirements of the CMA, Eligible Shareholders who do not exercise their right to subscribe for Rights Issue Shares may receive compensation, if any, to be calculated as shown in Section 15 "Subscription Terms and Conditions" during a period not exceeding 30 days from the allocation and refund date.
Eligibility of Shares	It is 1 Share and represents the subscription ratio in one Share against every existing Share held by the Eligible Shareholders. This ratio is the outcome of dividing the number of outstanding shares by the number of New Shares issued.

Subscription to Additional New Shares	<p>Holders of Shares who are registered in the Company's records upon the close of trading before convening of the Extraordinary General Assembly which approved the Capital increase on 17/10/1433H (corresponding to 4/9/2012G) have the right to over-subscribe for Unsubscribed Shares in cash in addition to their entitlement to Rights Issue Shares.</p> <p>Such over-subscription can only be made at one of the following prices:</p> <ol style="list-style-type: none"> <li>1. Offer price of the New Share (i.e., SAR 10 per Unsubscribed Share).</li> <li>2. Offer price of the New Share plus an amount equal to 30% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price after convening of the EGM multiplied by the Eligibility of Shares (1), rounded to the nearest round number.</li> <li>3. Offer price of the New Share plus an amount equal to 60% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price after convening of the EGM multiplied by the shares eligibility of each shareholder (1), rounded to the nearest round number.</li> <li>4. Offer price of the New Share plus an amount equal to 90% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price after convening of the EGM multiplied by the shares eligibility of each shareholder (1), rounded to the nearest round number.</li> </ol> <p>Prices for subscription in Additional New Shares shall be as follows: SAR (10) per share, SAR (17.00) per share, SAR (23.95) per share, SAR (30.90) per share providing that the Eligible Shareholder may not choose more than one price for the additional New Shares.</p>
Allocation of Rights Issue Shares	<p>Eligible Shareholders who apply for Rights Issue Shares and duly complete the Subscription Application Form and submit it to one of the Receiving Agents prior to the end of the Offering Period will be entitled to one Rights Issue Share for every 1 Existing Shares that they hold. If the Rights Issue Shares have not been fully subscribed by the Eligible Shareholders, the Unsubscribed Shares will be allocated to those Eligible Shareholders who apply for more than their proportionate entitlement to Rights Issue Shares and who have applied at the highest price for such Unsubscribed Shares (as indicated above). If the aggregate number of Unsubscribed Shares bid for exceeds the number of Unsubscribed Shares, the Unsubscribed Shares will be allocated to those Eligible Shareholders applying for such Unsubscribed Shares pro rata to their existing shareholdings in the Company (see Section 15 "Subscription Terms and Conditions"). The Underwriters shall purchase any Rights Issue Shares, that have not been subscribed for by Eligible Shareholders.</p>
Subscription Terms to Rights Offer	<p>The Offering is being made to, and is only capable of acceptance by holders of Shares at the close of trading on the EGM date which falls on 17/10/1433H (corresponding to 4/9/2012G).</p> <p>The Subscription Application Form shall be completely filled in accordance with the instructions set out in Section 15 ("Subscription Terms and Conditions") in this Prospectus.</p> <p>The Company retains the right to reject, in full or in part, any application form which is not in compliance with the terms of the Offering. Once submitted to the Lead Manager, Subscription Application Forms cannot be amended or withdrawn. The acceptance of Subscription Application Forms by the Company constitutes a binding Agreement between the Eligible Shareholder and the Company.</p>
Trading	<p>Trading in Offer Shares on Tadwual system will commence upon finalizing all formalities relating to registering and allocation of Offer Shares.</p>
Voting Rights	<p>The Company has one type of Shares. None of the Shareholders has any preferential voting right as every offered share has the right to vote. Any Shareholder holding at least 20 Shares shall have the right to attend the General Assembly Meeting and vote in it.</p>
Use of Proceeds	<p>The Company intends to increase its Share Capital from SAR 100,000,000 to 200,000,000 to meet the requirements of Solvency Margin and Statutory Reserve, support the existing products growth, provide new products according to Article 48 of the Implementing Regulations of Cooperative Insurance Companies Control Law, which stipulates that the Company's written premiums may not exceed 10 fold its total paid up capital and reserves, unless there is a prior consent from SAMA.</p> <p>ACIG intends to use the Offering Proceeds to raise the Company's Share Capital in order to invest in the investment vehicles mentioned in the Cooperative Insurance Companies Control Law CICCL. The total estimated investment amount is about SAR 80 million. The investment portfolio includes cash and short-term investments (50%), notes and long-term investments (35%), equity and investment vehicles (15%). This mix will be adopted during the period 2012G-2016G.</p> <p>The proposed Share Capital, being SAR 200 million will support the company with higher resiliency for more written premiums and optional reinsurance after obtaining the prior consent of SAMA. It will also help the Company to acquire shares in corporates.</p> <p>Pursuant to CICCL, the Statutory Reserve must be 10% of the Paid up Capital. ACIG will maintain an amount of SAR 10 million as a paid up statutory reserve after the raise of paid Up Capital.</p>
Dividend Policy	<p>The New Offered Shares are entitled for dividends announced by the Company as of the Offering Period and in the following financial years.</p>

Refund	Excess subscription monies, if any, will be refunded to Eligible Shareholders without any charge, commission or withholding by the Lead Manager or the Receiving Agents.
Payment of Compensation Amounts	Compensation amounts will be paid to the Shareholders who did not subscribe wholly or partially for the Right Issue Shares, if any, during a period not to exceed 30 days of the Allocation and Refund date. Please see "Subscription Terms and Conditions" section.
Lock up Period	<p>All Shares are tradable according to the guidelines, rules and regulations issued by CMA. During the Lock-up period, cash shares may be transferred according to the provisions of the rights sale from a Founding Shareholder to another Founding Shareholder or a Board Member to be used as guarantee shares, or from heirs of a Founding Shareholder if he dies to third parties. The CMA imposed a restriction on Founding Shareholders preventing them from disposal of their Shares for a period of 3 full financial years; each of them shall not be less than 12 months from the Company's incorporation date. Founding Shareholders are required to obtain the consent of the CMA and SAMA before selling any of their shares after the expiry of the Lock-up period.</p> <p>The lock-up period for the Founding Shareholders has expired on 31/12/2010G. The Founding Shareholders received the approval of the CMA and SAMA to lift the restriction on their shares, except for the following shareholders: ACIG Bahrain and the Islamic Development Bank. The above mentioned shareholders will be subject to the restriction currently applied on their current shares and the Rights Issue Shares in the event of their subscription in the Rights Issue Shares. The restriction will be lifted upon requesting and obtaining the approval from both the CMA and SAMA.</p>
Total Underwritten Offering	SAR 100,000,000
Risk Factors	There are certain risks relating to an investment in this Offering. These risks can be generally categorized into (i) Risks related to the Market and Regulatory Environment (ii) Risks related to the Company's Operations, and (iii) Risks associated with the Ordinary Shares. These risks should be considered carefully prior to making an investment decision in the New Shares.

## Company Activities

The Company provides the following insurance activities:

- Medical Insurance
- Motor Vehicle
- Medical Malpractice
- General Accident
- Marine Insurance
- Engineering Insurance
- Property Insurance

## Major Shareholders, Their Shares And Ownership Percentage Before Offering:

Shareholder	Nationality	# of Shares	Nominal Value	Ownership (%) before Offering
The Islamic Development Bank	International Institution	2,000,000	20,000,000	20%
Allied Cooperative Insurance Group (ACIG Bahrain).	Bahraini	2,000,000	20,000,000	20%

Source: The Company

Shareholders who are willing to buy the new shares must read the "Important Notice" and "Risk Factors" sections in this Prospectus for discussion of certain factors that must be taken into consideration before taking a decision with regard to subscription in the Right Issue Shares.

## Key Dates for Subscribers

Expected Timetable of Subscription	Date
EGM meeting and determination of the Shareholders eligible to the New Shares	17/10/1433H (corresponding to 4/9/2012G)
Offering Period	The Offering will commence on 28/10/1433H (corresponding to 15/9/2012G) and will remain open for a period of 8 days to and including 6/11/1433H (corresponding to 22/9/2012G)
End of Offering Period, and deadline for submission of Subscription Application Forms	6/11/1433H (corresponding to 22/9/2012G)
Notification of final allotment and refund of any excess Subscription Monies (in the event of over subscription)	13/11/1433H (corresponding to 29/9/2012G)
Refund of Rights Issue Shares' fractions	Dates will be announced in the local press and on Tadawul's website (www.tadawul.com.sa)
Anticipated date for commencement of trading of the New Shares	Trading in the offered Shares on the Exchange is expected to commence once all related formalities have been completed, shortly after refunding the excess subscription monies and in coordination with the CMA and Tadawul. The exact date will be announced in due course.
Payment of Compensation Amounts	Excess subscription monies (if any), will be paid to subscribers without any charges or commission by the Lead Manager and Receiving Agents.

The above timetable shows indicative dates. Actual dates will be conveyed through announcements appearing in the national daily newspapers and through Tadawul's website (www.tadawul.com.sa)

## How to Apply

Retail Subscribers can obtain Subscription Application Forms during the Offering Period at the branches of the Lead Manager and the Receiving Agents. The subscription applications may be submitted during the Offering Period through branches of the Receiving Agents, telephone, automated teller machines ("ATMs"), or the internet to any of the Lead Manager and the Receiving Agents. Such services will be available to Subscribers who have participated in recent initial public offerings provided that:

- the Eligible Shareholder maintains a current account with any of the relevant Receiving Agents or with the Lead Manager; and
- no amendment has been made to the Eligible Shareholder's details since the Eligible Shareholder subscribed to the past IPO, unless such amendment has been notified to and acknowledged by the relevant Lead Manager or Receiving Agents,

Subscription may also be effected through the subscribers' bank accounts with any of the Receiving Agents or through a bank cheque to the order of the Company (ACIG Company) drawn on any of the local banks.

Subscription Application Forms must be completed in accordance with the instructions described herein ("Subscription Terms and Conditions"). Each Subscriber must agree to the terms and conditions and complete all relevant sections of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event any of the subscription terms and conditions are not met or the instructions are not duly and punctually followed. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon submission, represent a legally binding agreement between the Subscriber and the Company (Please refer to the section: "Subscription Terms and Conditions").

## Summary of Key Information

This summary is a brief overview of the information contained in this Prospectus and does not contain all of the information that may be important to Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the new Shares. Certain terms contained in this Prospectus have been defined in the "Definitions and Abbreviations" section of this Prospectus.

## 1. Company Background

Allied Cooperative Insurance Group ("ACIG"), (hereinafter referred to as "Saudi ACIG" or "Company", is a Saudi Joint Stock Company in accordance with the Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 09/10/2006G) and Royal Decree No. M/60 promulgated on 18/09/1427H (corresponding to 11/10/2006G), with Com-

mercial Registration No 4030171999,. The current Share Capital of the Company is SAR 100,000,000, consisting of 10,000,000 ordinary shares of equal value of SAR 10 each, and all are fully paid. The major shareholders of the Company are:

- The Islamic Development Bank, and
- Allied Cooperative Insurance Group (ACIG Bahrain).

## 2. The Company's Mission and Strategy

### 2 - 1 Vision Statement

To be the preferred Cooperative Insurance company in the region that provides security to customers and deliver value to employees and shareholders applying the highest international standards.

### 2 - 2 Mission Statement

To provide Shari'a compliant solutions to the community and manage the risk in a manner that delivers value to all Stakeholders

### 2 - 3 Business

The Company provides insurance services including:

- Medical Insurance
- Motor Vehicle
- Medical Malpractice
- General Accident
- Marine Insurance
- Engineering Insurance
- Property Insurance

The Company conducts these activities in accordance with the Law on Supervision of Insurance Companies and its Implementing Regulations.

### 2 - 4 Agency Model

The company will finalize its plan to sell its services in the first place through agents, as well as through the Company itself, so the Company can achieve wider coverage of most major cities and regions. The Company started signing arrangements with 3 agencies licensed by SAMA, which helps it expand its network widely all over the kingdom.

### 2 - 5 Company Strategy

Although the company's policy will be based on sales strategy and focused promotional campaign in order to increase the total premiums, the Company will take into account the following:

- avoid unhealthy competition which is based on lowering the prices without comprehensively analyzing each type of risk and determine the right price for it.
- We will adopt a conservative insurance policy to ensure a sufficient return for shareholders.

To be able to implement this strategy successfully, the Company will:

- subdivide the market focus significantly on small and medium-sized enterprises and personal insurance.
- provide various types of products and services.
- distinguish itself from competitors by quick communication with customers and expedited delivery of services.
- complete the establishment of extensive distribution network, which has already been effected through the opening of at least 20 distribution points.
- adopt a precise pricing strategy.
- increase customer satisfaction to ensure their retention.
- adopt an active approach in the management of accounts.
- the company uses huge database of customers to market other products.

### 2 - 6 Competitive Advantages

#### Ability to attract, promote and retain qualified human resources

The philosophy of Saudi ACIG is based on creating a culture of team work stimulation which is the motive for success. Saudi ACIG team is characterized by discipline, ability to collaborate among its members and a passion for success.

The combination of this philosophy alongside a business strategy that is based on highest standards of integrity, and to establish a culture based on the concepts of honesty, knowledge, and constructive dialogue, and dealing with staff on the basis of respect and equality, enabled Saudi ACIG to attract talent and experiences who served the Company for a long time. The company's management has extensive experience in the insurance industry at a local and regional level and constantly seeking to develop and improve performance. Saudi ACIG believes that the Company's selective policy followed in attracting and hiring team members will enable it to progress successfully.

## Shareholders Businesses

Business pattern practiced by the Founding Shareholders of Saudi ACIG Contributes significantly to promoting its name in the market as these shareholders are owners or partners in multiple projects and businesses of huge assets that need different types of insurance to cover a variety of risks. It is anticipated that Saudi ACIG will receive priority in gaining insurance contracts to cover such projects and assets on competitive basis, taking into account that Founding Shareholders shall not be granted the right to vote on transactions that they have a direct interest in it. For its part, the company, continuously and permanently reviews the insurance arrangements of its current Founding Shareholders and provides offers that fit their needs and requirements with respect to aspects of both coverage and prices. Saudi ACIG also urges and encourages such shareholders to provide recommendations and suggestions in their capacity as work partners. The presence of such Founding Shareholders will help increase the size of customer base, leading to an increase in profits.

## Management with deep experience

Saudi ACIG has a team of specialists with expertise in the field of insurance. These experiences will ensure ability to interact with the market changes and requirements. Saudi ACIG's strategy and culture reflect the vision to assume the best position in the cooperative insurance industry through commitment to providing the highest level of services. Saudi ACIG emphasizes the importance of its employees to have a sense of pride and belonging, which generates an incentive for excellence in productivity, so that the Company gains customer satisfaction and confidence.

## Innovative products and services

Saudi ACIG will develop innovative insurance products and services that meet the special needs of certain segments of customers in the market, which is expected to lead to reinforcing the position of Saudi ACIG and acquiring a reasonable base of customers.

## 2 - 7 Investment Strategies for Subscribers

The Company seeks to employ part of the insurance proceeds (Policyholders) in miscellaneous investment portfolios in line with the type of business and enter into investment areas in line with the prevailing regulations relating to investment in insurance industry.

The following table indicates the proposed investment plan for the period 2012G-2016G and the anticipated revenues:

Investment Portfolio Structure for Policyholders (%)					
Description	2012G	2013G	2014G	2015G	2016G
Short term portfolio investments	50%	50%	50%	50%	50%
Investment in bonds and long-term investments	35%	35%	35%	35%	35%
Investment in shares and other investment vehicles	15%	15%	15%	15%	15%
Total	100%	100%	100%	100%	100%

Source: the Company

Return on Investment (%)					
Description	2012G	2013G	2014G	2015G	2016G
Cash investments and short-term investments	2.50%	2.50%	2.50%	2.50%	2.50%
Bond and long-term investments	5.00%	5.00%	5.00%	5.00%	5.00%
Shares	6.00%	6.00%	6.00%	6.00%	6.00%
Properties	0.00%	0.00%	0.00%	0.00%	0.00%
Statutory Reserve	0.00%	0.00%	0.00%	0.00%	0.00%

Source: the Company



## 2 - 8 Share Capital

Share Capital of the company is SAR 100,000,000 divided in to 10,000,000 shares of equal par value at SAR 10 per share.

## 2 - 9 Founding Shareholders (As at 2 July 2012G)

Shareholders Name	Nationality	No. of Shares	Nominal Value	Ownership (%)
The Islamic Development Bank	International Institution	2,000,000	20,000,000	20%
Allied Cooperative Insurance Group (ACIG Bahrain)	Bahrain	2,000,000	20,000,000	20%
HRH Prince Saud bin Nayef bin Abdul Aziz Al Saud	Saudi	20,000	2,000,000	2%
Abdul Aziz Bin Abdul Raman Al Hamdan	Saudi	20,000	2,000,000	2%
Ali Hassan Bin Al Jasser Al Shehri	Saudi	15,405	154,050	0.15%
Total Founding Shareholders		4,415,405	44,154,050	44.15%
Public		5,584,595	55,845,950	55.85%
Total		10,000,000	100,000,000	100%

Source: the Company

For further details on ownership structure of companies that hold shares in Saudi ACIG, kindly see "Ownership Structure" in this Prospectus.

## 2 - 10 International Insurance Markets

The total insurance premiums in the World (property, damage, protection, savings and health protection) in 2011G was about USD 4.59 trillion (SAR 17.21 trillion) compared with USD 4.3 trillion (SAR 16.12 trillion) in 2010G, according to figures announced by Swiss Re. The total amount of insurance premiums in the United States has reached about USD 1.2 trillion (SAR 4.5) in 2011G, rising by 0.5% over 2010G, during which the premiums amounted to USD1.16 trillion (SAR 4.35 trillion).<sup>1</sup>

As for the Middle East and North Africa, the total insurance premiums (except protection and savings) in 2011G can be summarized in the following table:

Country	Insurance Premiums (SAR million)	Percentage (%) of Global Markets
Turkey	31,762	0.43%
Iran	28,312	0.38%
United Arab Emirates	20,287	0.28%
Kingdom of Saudi Arabia	17,559	0.24%
Morocco	7,458	0.10%
Algeria	4,121	0.06%
Egypt	3,648	0.05%
Qatar	3,405	0.05%
Tunisia	2,602	0.04%
Kuwait	2,351	0.03%
Oman	2,313	0.03%
Jordan	2,118	0.03%
Bahrain	1,616	0.02%

Source: Swiss Re

<sup>1</sup> Swiss Re World Insurance 2011G.



## 2 - 11 Saudi Insurance Market

### Background

Since 1970G, insurance sector has focused on revenues from Government insurance and construction projects, which were, previously, largely dominated by foreign companies. In 1985G, the concept of cooperative insurance was approved by the Council of Senior Ministers. The first insurance company registered in the Kingdom was established after obtaining approval of the SAMA in 1405H (corresponding to 1984G).<sup>2</sup>

Currently SAMA regulates and oversees the insurance sector and prepares and applies the licensing standards for the insurance companies. The new law imposes on insurance companies to be registered and licensed in the Kingdom as public joint stock companies to practice insurance business in the Kingdom. The new regulations apply not only to insurance companies, but also to re-insurance companies, insurance brokers, agencies and offices of loss adjusters.

In 1420H (1999G), the regulations for Cooperative Health Insurance Council were issued based on the Royal Decree No. (M/10) dated 01/05/1420H (corresponding to 08/13/1999G) to regulate the cooperative health insurance industry. In Rabei II, 1423H (corresponding to June 2002G) the Cooperative Health Insurance Council issues the Implementing Regulations for the compulsory Cooperative Health Insurance Law, which imposes upon all companies that employ more than 500 expatriate workers to provide health coverage to them. Phase II of implementation includes all companies that employ between 100-500 expatriate workers. The third and final phase includes all companies that hire expatriates. The announcement for final implementation of this Law was made in 1426H (2005G). The Kingdom of Saudi Arabia is determined to be the first country in the world to apply the compulsory cooperative health insurance system for citizens and expatriates, and to raise awareness in relation to this matter through the media and other channels<sup>3</sup>.

The decision for compulsory insurance for holders of driving licenses has been applied based on the Council of Ministers Resolution No. 222, dated 13 Shaaban 1422H (October 30, 2001G). The Council of Ministers has issued recently a resolution to effect compulsory third party liability insurance for motor vehicles rather than insurance for holders of a driving license.

In 2003G, the Law on Supervision of Cooperative Insurance Companies was promulgated by Royal Decree No. (M/32), dated 2/6/1424H. The Implementing Regulations for this Law were issued under Ministerial Resolution No. 1/596, dated 01/03/1425H, allowing the establishment of companies that had local activity or local licensed branches of foreign companies in order to transact cooperative insurance business in the Kingdom.

The Law on Supervision on Cooperative Insurance Companies and its Implementing Regulations provide for the establishment of local insurance companies to exercise insurance activity in the Kingdom. SAMA is responsible for regulating and supervising the insurance sector and preparing and implementing the licensing standards of insurance companies. This has been followed by issuance of a number of royal decrees since 16/9/1427H (09/10/2006G) approving the incorporation of a number of insurance companies.

### Overview of Saudi Insurance Market

Insurance market has witnessed a remarkable growth in the Kingdom reaching 12% with a total premium of SAR 16.4 billion in 2010G, compared to SAR 14.6 billion in 2009G. The percentage of growth in health insurance was 19% and the percentage of growth in motor insurance was 6% in 2010G<sup>4</sup>. The total growth rates in the size of the insurance market reached levels higher than 20 and 30% per annum. The following table shows the growth of the market since 2006G:

	2006G	2007G	change	2008G	change	2009G	change	2010G	change
Total premiums of protection and saving Insurance (SAR million)	218	327	50%	594	82%	1,003	69%	972	-3%
Health Insurance (SAR million)	2,222	3,065	38%	4,805	57%	7,292	52%	8.69	19%
General Insurance (SAR million)	4,497	5,191	15%	5.52	6%	6,315	14%	6,725	6%
Total Insurance Premiums (SAR million)	6,937	8,583	24%	10,919	27%	14.61	34%	16,387	12%
Percentage of General Insurance to GDP	0.34%	0.37%	8.82%	0.31%	-16.22%	0.46%	48.39%	0.41%	-10.87%
Percentage of Health Insurance to GDP	0.17%	0.22%	29.41%	0.27%	22.73%	0.53%	96.30%	0.53%	0.00%
Percentage of Protection and Saving Insurance Premiums to GDP.	0.02%	0.02%	0.00%	0.03%	50.00%	0.07%	133%	0.06%	-14.29%

Source: SAMA

<sup>2</sup> Economic Intelligence Unit (August 13, 2006G) Country Risks, Openness of Saudi Insurance Market <http://www.garp.com/risknews/newsfeed.asp?Category=6&MyFile=2006-10-13-13663.html>

<sup>3</sup> Turki Al Suahil, Al Sharq Al Awsat Newspaper, Minister of Health: "We will be the first country to apply the cooperative health insurance on all residents.

<sup>4</sup> SAMA, Saudi Insurance Market Report, 2010G.

## 2 - 12 Summary of Performance and Financial Indicators

The following financial information of the Company should be read together with Section (8) of this Prospectus "Management Discussion and Analysis of the Financial Position and Results of Operations" and the audited financial statements of the Company and related notes. Summary of the financial statements set out below is based on to the audited financial statements of the Company for the years ended Dec. 31, 2008G, 2009G, 2010G and 2011G and the audit report related thereto. The historical financial information set out in the tables below is a summary only and is not necessarily an indication of any future results.

All figures are in SAR

Balance Sheet	12/31/2008G	12/31/2009G	12/31/2010G	12/31/2011G
Total insurance operations' assets	0	33,531	101.55	115,804
Total shareholders' assets	77,955	57.31	40.48	29,489
Total Assets	77,955	90,661	142.03	145,293
Total Insurance operations' liabilities	0	33,351	101.55	115,804
Total shareholders' equity and liabilities	77,955	57.31	40.48	29,489
Total Liabilities	77,955	90,661	142.03	145,293
Statement of Income for the period ending on	12/31/2008G	12/31/2009G	12/31/2010G	12/31/2011G
Total revenue	0	983	24,086	124,644
Total claims Paid	0	89	28,217	71,815
Total Incurred Claims	0	355	11,789	75,148
Total Costs and expenses	0	12,128	43,535	110,328
Net profit (loss) for the period	-22,780	-24,211	-19,634	-9,467
End of period balance	70,235	49,897	29,556	19,071
Statement of Cash Flows	12/31/2008G	12/31/2009G	12/31/2010G	12/31/2011G
Net cash flow from insurance activities	0	0	0	
Net increase (decrease) in cash	0	1,989	21,673	34,722
Cash at beginning of period	0	0	1,989	23,662
Cash at end of period	0	1,989	23,662	58,384
Cash flows from Shareholders	0	0	0	0
Net increase (decrease) in cash	63,703	-28,298	-10,163	-11,750
Cash at beginning of period	0	63,703	35,405	25,242
Cash at end of period	63,703	35,405	25,242	13,492

Source: The Company

## 2 - 13 Accumulated Losses

Accumulated losses amounted to SAR 84,146 thousand as at March 31, 2012G as compared to SAR 70,717 thousand as at March 31, 2011G. The accumulated losses are represented in net realized losses for the current period and previous periods in addition to Zakat charged to this account. According to the requirements of Article 148 of the Companies Regulations that stipulates when the company's losses exceeds 75% of its capital, the Extraordinary General Assembly should be convened to decide whether the company will proceed in operations or not. Based on the recommendation of the Board of Directors of the Company to continue operations, the Board convened the Extraordinary General Assembly which was held on Monday 21/07/1433H (11/06/2012G) and decided by majority vote of (99%) to approve the continuation of the company in its business and authorized the Board to take the necessary action to that effect with the competent authorities. The EGA of the Shareholders in its fourth meeting on Monday 21/7/1433H (corresponding to 11/6/2012G) has also approved the financial statements of the Company for the year ended 31/12/2011G.

The reasons for the losses were due to the initial years of operation as the Company proceeded with recruitment and expansion prior to taking approval on the products and services by SAMA. After almost a year of establishing the Company, it received approval for its products, and the Company began to sell its services and generate income and reduce its losses. The Company has developed investment plans and strategy, including innovative products and services where it is expected that this will reinforce the position of Saudi ACIG and allow it to gain a considerable customer base.

## 2 - 14 Summary of Risk Factors

There are a number of risks relating to the issuance of this rights issue. These risks have been summarized in three main groups: risks related to the market and the regulatory environment, risks related to the company's operations and risks related to ordinary shares. These risks have been addressed in detail in section (2) "Risk Factors" that should be studied carefully before making a decision to invest in the rights issue shares.

### 1) Risks Related to the Market and Regulatory Environment

- General Risks
- Risks Related to the Market Growth risk
- Risks Relating to Competition risk
- Risk of Unavailability of Historical Data for the Market risk
- Risks relating to Unpredictable Natural Catastrophes (Force Majeure) risk
- Risks Related to Unavailability of Reinsurers and Reliance on them risk
- Risk Related to Unavailability of Qualified Local Cadres in Insurance Sector risk
- Risks relating to Solvency Requirements risk
- Saudization Ratio Requirements
- The Risk of License Withdrawal by SAMA risk
- Risks Related to Restrictions on Ownership of Insurance Companies risk
- Social Risks

### 2) Risks Related to the Company's Operations

- Reinsurance Risk
- Profitability of Investment Portfolio risk
- Litigation risk
- Reporting Requirements risk
- Source of Funds risk
- Dependence on Key Personnel
- Future Information
- Rating Risks
- Information Technology risk
- Policies of Risk Management
- Staff Misconduct risk
- Adequacy of Reserves
- Renewals of Existing Policies
- Brand Protection risk
- Disputes with the Insured risk
- Unsuccessful Company Development and Expansion
- Healthcare Supply & Prices
- Risk of non-approval of the Shariah Supervisory Committee

### 3) Risks Related to the Ordinary Shares

- Distribution of Dividends
- Effective Control by the Founding Shareholders risk
- Fluctuations of Shares Prices
- Expiry of Lock-up Period risk
- Sale or Purchase Substantial Numbers of Shares risk
- Risk Related to Dividends risk

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## 1. Definitions and Abbreviations

<b>Underwriting Agreement</b>	The underwriting agreement to be entered into between the Company and the underwriter with respect to the offered Shares.
<b>Statutory Reserve</b>	The percentage to be deducted from the company's net profits stipulated in Article 15 of the Cooperative Insurance Companies Control Law.
<b>The Management</b>	Management of the Allied Cooperative Insurance Group (Saudi ACIG)
<b>The Offering</b>	Offering of 10,000,000 Ordinary Right Issue Shares by the Company to Eligible Shareholders at an Offer Price of SAR 10 per Share..
<b>Insurance Subscription</b>	The acceptance process of risk insurance.
<b>Offer Shares</b>	10,000,000 Ordinary Shares of the Company.
<b>Saudi ACIG</b>	Allied Cooperative Insurance Group, a Saudi Joint Stock Company, with Commercial Registration No. 403071999.
<b>Subscription (Premiums)</b>	The amount paid by the insured against agreement of the insurer to compensate the insured against any damage or loss caused directly by an insured risk.
<b>Relative</b>	Spouse and first class relatives such as parents and children.
<b>Underwritten Premiums</b>	Total amounts paid by the insurance company against its coverage of certain risks according to policies signed with its clients.
<b>Reinsurance</b>	Transfer the burdens of insured risks to reinsurer and compensate the insured by the reinsurer for amount paid to the insurer for any damage or loss it sustained.
<b>Receiving Banks</b>	Bank that will receive the subscription applications. (Please see "Participating Banks" Section, Pages H).
<b>Insurance</b>	Transfer risk burden from the insured to the insurer and compensate the insured against any damage or loss they sustained.
<b>Self Insurance</b>	Provisioning of a regular balance to encounter the anticipated losses caused by risks that are required to be self-insured instead of using the company services.
<b>Tadawul</b>	The Automatic Saudi Stock trading system.
<b>Distribution of Excess Amounts</b>	The method adopted to distribute the insurance/ re-insurance company's extra Profit amount to Policyholders.
<b>Official Gazette</b>	Um Al-Qura Newspaper, the Saudi Arabian official gazette.
<b>General Assembly</b>	The Company's Shareholders General Assembly.
<b>Government</b>	The Government of Saudi Arabia.
<b>Policyholders</b>	The legal or natural persons who owns policies.
<b>Risk</b>	An event relating to occurrence of a possible damage or loss, with negative profit prospects.
<b>Offer Price</b>	SAR 10 per Share.
<b>Financial Year</b>	The year ended on 31 December of every calendar year.
<b>Share</b>	The Company's Share.
<b>Saudization</b>	Labor regulations in KSA that impose upon companies operating in the Kingdom to employ a certain percentage of Saudis.
<b>The Market or "Exchange"</b>	Saudi Capital Market.
<b>Person</b>	Natural Person.



<b>The Company</b>	The Allied Cooperative Insurance Group (Saudi ACIG), a Saudi Joint Stock company, registered in the Kingdom of Saudi Arabia, with commercial Registration No. 403017999.
<b>Net Offering Proceeds</b>	Net Offering proceeds after deduction of all Offering expenses.
<b>Article of Association</b>	Article of association of the Company.
<b>Offering Period</b>	The period of 8 days starting from 28/10/1433H (corresponding to 15/9/2012G).
<b>Official List</b>	The list of securities maintained by the CMA in accordance with the Listing Rules.
<b>Listing Rules</b>	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Law promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G)
<b>Nominal Value</b>	SAR 10 Per Share
<b>Implementing Regulations</b>	Implementing Regulations of the Saudi Cooperative Companies Insurance Law promulgated by Royal Decree No. (M/32), dated 2/6/1424H (corresponding to 31/7/2003G).
<b>Offering Proceeds</b>	The total value of subscribed Shares.
<b>Underwriter</b>	Al Jazirah Capital.
<b>Board of Directors or Board</b>	The Company's Board of Directors.
<b>Lead Manager</b>	Al-Jazirah Capital.
<b>Shareholder or Shareholders</b>	Holders of the Company Shares for any specific period of time.
<b>Founding Shareholders</b>	The Founding Shareholders of the Company whose names are listed in page O.
<b>Financial Advisor</b>	BMG Financial Group appointed by the Company to act as the Financial Advisor with regards to the Offering.
<b>Advisors</b>	The parties that provide special services relating to the Offering, whose names are mentioned in pages F and G.
<b>Financial Derivatives</b>	A contract the value of which is associated with financial assets or other indicators or investments.
<b>Reinsurer</b>	The Insurance and/or reinsurance company that accepts reinsurance from another insurer.
<b>Subscriber</b>	Any person who subscribes to the Offer Shares
<b>KSA or the Kingdom or Saudi Arabia</b>	The Kingdom of Saudi Arabia
<b>SAMA</b>	The Saudi Arabian Monetary Agency
<b>Insurer or Guarantor</b>	The insurance company that accepts insurance directly from the insured.
<b>Guaranteed/ Insured</b>	The natural or legal person who entered into an insurance policy with insurer.
<b>By- Laws</b>	The Company's By- Laws.
<b>Insurance Law</b>	The Cooperative Insurance Company Control Law promulgated by Royal Decree No. M/32, dated 2/6/1424H and its Implementing Regulations by virtue of Royal Decree No. M/30, dated 2/6/1424H (Corresponding to 31/7/2003G).
<b>Companies' Regulations</b>	The Companies' Regulations, issued under Royal Decree No. M/6, dated 22/3/1385H, as amended

<b>Subscription Application Form</b>	The subscription application form pursuant to which Eligible Shareholders will subscribe for Offer Shares
<b>Prospectus</b>	This document that is prepared by the Company with regard to the Offering.
<b>Solvency Margin</b>	The surplus of assets transferrable to cash over its obligations.
<b>CMA or the Authority</b>	The Capital Market Authority in the Kingdom
<b>SAGIA</b>	Saudi Arabian General Investment Authority.
<b>Insurance Policy</b>	A contract under which the insurer undertakes to compensate the insured upon occurrence of damage or loss for the asset covered in that contract against a premium paid by the insured.
<b>Insurance Broker</b>	A judicial Person who negotiates with the company in return of monetary consideration to finalize an insurance transaction for the interest of the insured.
<b>Insurance Agent</b>	A judicial person who represents the company against a monetary consideration and markets and sells insurance policies. All works conducted by him are usually for the account of the company or on its behalf.

## 2. Risk Factors

In addition to the information contained in this prospectus, prospective investors should carefully consider all the risk factors described below before deciding whether or not to invest in the New Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to or considered immaterial by the Company, which may preclude its operations. The Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected by the occurrence of any of these risks or other factors which could cause the value of the New Shares to decrease, and consequently, investors may lose all or part of their investments.

### 2 - 1 Risks Related to the Market and to Regulatory Environment

#### 2 - 1 - 1 General Risks

The company's operations are organized and supervised by the Saudi Arabian Monetary Agency (SAMA) and should be subject to the provisions of the Cooperative Insurance Companies Control Law CICCL and its implementing regulations and Companies Regulations, in addition to the instructions set by SAMA. These provisions, rules and regulations may change from time to time. Accordingly, the Company cannot provide any assurance that the legislative and regulatory changes will not have a material adverse effect on its business, financial condition, and results of operations.

#### 2 - 1 - 2 Risks Related to the Market Growth

The economic boom experienced by the Kingdom of Saudi Arabia, including the insurance sector, in general, may not be sustained in the future. The current growth of the market is powered by high oil revenues and giant projects under study in Saudi Arabia, and despite attempts of diversification, the Saudi economy is still largely dependent on oil. As an intuitive result, the Kingdom's revenues are still affected by fluctuations in oil prices, and financial plans are still vulnerable to factors and powers in the global market beyond the control of the government. The economic problems may hinder the continuity of growth in numbers and sizes of large industrial and residential projects as well as infrastructure projects, and accordingly may affect the growth opportunities for insurance companies.

#### 2 - 1 - 3 Risks Relating to Competition

At the end of 2005G Saudi Arabia gained actual accession to the WTO. Therefore, the Kingdom will have to comply with WTO's regulations, which include freeing the financial sector and opening up investment sectors to international companies. After issuance of several resolutions by the Council of Ministers to license incorporation of 33 insurance companies (including the Company) as public joint stock companies, the company expects that it will find itself operating in an increasingly competitive environment which may adversely affect the company's profitability margin and reasonable share of the market. It is expected that new licenses will be issued in the near future which will further increase the competition in the Saudi insurance market. Many of the small and medium-size insurance companies, originally existing in the Kingdom's market, will continue to apply the cooperative or commercial insurance principles and act as brokers or international mediators or agents.

Competition in the insurance sector is based on many factors, including premiums charged, policy terms and conditions, products and services offered, financial rating approved by the independent rating agencies, claims service, reputation, existing perception of financial capability and experience of the insurance company. For the purpose of gaining a larger share in the market, some new entrants to the market may adopt pricing policies that are more adventurous than those of the Company or may offer alternative forms of risk protection in addition to traditional insurance services. There can be no assurance that the Company will be able to achieve or maintain any specific level of premiums in this competitive environment. The pressures of the increased competition could adversely and substantially affect and the Company's business, prospects and financial condition.

#### 2 - 1 - 4 Risk of Unavailability of Historical Data for the Market

Although the Saudi market is not new to the insurance concept, but it has only been recently regulated. Therefore, information and historical data required to build tables of insurance accurately have not been collected. Therefore, insurance companies depend, in estimating losses and assessing premiums, on estimates that may fall short of the required level of accuracy, and accordingly may increase the risk profile of insurance portfolios, which could cause losses to the operating companies.

#### 2 - 1 - 5 Risks relating to Unpredictable Natural Catastrophes (Force Majeure)

Insurance operations on industrial facilities and residential and commercial buildings represent an important resource of profitability for insurance companies in comparison with health insurance and motor insurance operations. The Company may be vulnerable to losses from catastrophes, as it covers properties against catastrophes that cause property damage. Catastrophes can be caused by various natural and unnatural events, the incidence and severity of which are inherently unpredictable, such as hailstorms, floods, winds, fires, explosions and industrial accidents.

The extent of losses from catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Catastrophes can cause losses in a variety of property and casualty lines. Claims related to catastrophes could cause substantial volatility in the Company's financial results and could have a material adverse effect on the Company's financial condition and results of operations

## 2 - 1 - 6 Risks Related to Unavailability of Reinsurers and Reliance on them

Insurance companies depend, in their business, on reinsurance agreements entered into by and with international and regional companies in order to minimize the risks arising from insurance coverage. In return, the insurance companies pay fees for reinsurance. Fluctuations in reinsurance markets may cause rise in these fees, which could lead to a negative impact on the profitability of the company. On the other hand, there can be no assurance that reinsurers will pay their share of future claims. This will affect the company's financial condition and its relationship with its customers, and accordingly, its future profitability.

The availability, amount and cost of reinsurance are subject to prevailing market conditions that are beyond the Company's control. Article 40 of the Implementing Regulations of CICL requires insurance companies to retain 30% of their total insurance premiums and reinsure at least 30% of their total premiums within the Kingdom. If the Company is unable to maintain or replace reinsurance arrangements, either exposure would increase or the Company would be required to reduce the level of its underwriting commitments. Furthermore, the Company is subject to credit risk with respect to its reinsurers, as the ceding of risk to reinsurer does not relieve it of its primary liability to its insured.

Although the Company enters into contracts with reinsurers, the reluctance or inability of reinsurers to comply with the terms of reinsurance agreements would cause substantial and negative effects on the company's business and/or financial results.

## 2 - 1 - 7 Risk Related to Unavailability of Qualified Local Cadres in Insurance Sector

Saudi labor market suffers from severe shortage of highly qualified local cadres in the cooperative insurance sector, who meet the needs of insurance companies. This will significantly increase the demand for such qualified personnel, and accordingly increase competition between the existing and new companies to attract these cadres. This in turn will increase the cost of hiring, training and retaining the existing staff of companies, which could lead to higher operating expenses and thus may affect the profitability of companies operating in the insurance sector.

## 2 - 1 - 8 Risks relating to Solvency Requirements

In accordance with Articles 66, 67 and 68 of the Implementing Regulations of the Cooperative Insurance Companies Control Law CICCL, Saudi ACIG shall maintain a minimum solvency level to meet its obligations resulting from the insurance operations. The Company's solvency level is affected primarily by the reserves that are required to maintain, which in turn is affected by the volume of insurance policies sold and by regulations on the determination of statutory reserves. It is also affected by a number of other factors, including the profit margin of products, return on investments, and underwriting and acquisition costs. If Saudi ACIG continues to grow rapidly, or the required solvency level is increased in the future, it may be necessary for the Company to raise additional capital to meet solvency requirements, which could be dilutive. If Saudi ACIG is unable to raise additional capital, it may be forced to reduce the growth of its business operations and may not be able to declare dividends, or penalties may be imposed on the company including withdrawal of its license in some exceptional cases.

## 2 - 1 - 9 Saudization Ratio Requirements

In line with the instructions issued by the Ministry of Labor and the Cooperative Insurance Companies Control Law CICCL and its Implementing Regulations, the insurance companies shall maintain the percentage of its Saudi employees above 30%. There can be no assurance that the Saudization ratio will not be increased to more than that. In case the Company fails to comply with the resolutions issued in this regard, it might be sanctioned by penalties including suspension of issuing work visas required by the Company. The Company's business and expansion plans will be affected by not being able to provide the necessary manpower, either from the local market or through recruitment offices.

## 2 - 1 - 10 The Risk of License Withdrawal by SAMA

The incorporation of the Company has been approved by Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 9/10/2006G), the Royal Decree No. M/60, dated 18/9/1427H (corresponding to 11/10/2006G), and based on specific requirements, that the Company has already satisfied or may have to fulfill in the future. If the Company fails to satisfy these requirements, SAMA will have the right to withdraw the license. These requirements are applicable to all insurance companies.

Also, pursuant to the Implementing Regulations of the Cooperative Insurance Companies Control Law CICCL, the Company shall satisfy several requirements of SAMA. Clause 76 of the Implementing Regulations of CICCL stipulates that SAMA shall request the license withdrawal in case the company's failure to conduct business activities for a period of six months from the issuance date of the license; non compliance with the CICCL and its Implementing Regulations; intentionally; providing SAMA with false information; bankruptcy of the company; conducting business fraudulently; the paid up capital falls below the prescribed minimum limit; refusal to be examined or to produce its accounts,

records, or files for examination by the inspection team tasked by SAMA; and failure to execute a final judgments issued regarding any insurance disputes. Withdrawal of the license will disrupt the regular operations of the Company.

## 2 - 1 - 11 Risks Related to Restrictions on Ownership of Insurance Companies

In addition to the lock up period imposed by the Capital Market Authority, during which the founding shareholders are banned to sell their shares for three full financial years from the date of incorporation of the company, and they should obtain the approval of SAMA before selling any of those shares after the elapse of the lock up period, the Cooperative Insurance Companies Control Law CICCL and its implementing regulations impose some restrictions on the ownership of shares in insurance companies. According to Article 9 of the CICCL, and Article 39 of its Implementing regulations, insurance company shall not open branches in the Kingdom or abroad, or agree on a merger, acquisition or control of any banking or insurance activity, or possession of shares of insurance or reinsurance companies unless they have a written consent from SAMA. Article 38 of the CICCL's Implementing Regulations stipulates that SAMA shall be informed of the ownership ratio of any person who owns 5% or more of the shares of the company on a regular basis and any change to that ratio shall be informed in writing. Also SAMA has published a list specifying the minimum and maximum limits of ownership of insurance companies, banks and legal and natural persons in the Cooperative Insurance Companies. According to these requirements, insurance companies must obtain written approval from SAMA prior to acquisition, merger or ownership transfer of any registered insurance company, or making a basic change in its ownership structure. This would impede (in some cases) the Company's ability to deal with financial or strategic investors who might be not be approved by SAMA or might be exposed to hard conditions of SAMA, and that would adversely affect the company's business.

## 2 - 1 - 12 Social Risks

Insurance is essential and necessary and plays an important role in human life and communities as well. However, there are risks about the society's perception of the insurance sector in general, as the society sees that the sector does not play an essential role, or it works in a scope of services that is not compatible with the principles of Takaful and Shariah. Society may lose confidence in the sector and that may adversely affect the Company's business and revenues.

## 2 - 2 Risks Related to the Company's Operations

### 2 - 2 - 1 Reinsurance Risk

The Implementing Regulations require insurance companies to retain 30% of their total insurance premiums and reinsure at least 30% of their total premiums within the Kingdom, and the Company complies with that. The availability, amount and cost of reinsurance are subject to prevailing market conditions that are beyond the Company's control. Fluctuations in the reinsurance market may cause such cost to increase, which may adversely affect the Company's profitability. Furthermore, failure by a reinsurer to meet its obligations could significantly increase the Company's exposure which, in turn, could have a material adverse effect on the Company's financial performance, its client relationships and profitability.

If the Company is unable to maintain or replace reinsurance arrangements, either exposure would increase or, if the Company was unwilling to bear such an increase in exposures, the Company would be required to reduce the level of its underwriting commitments. Furthermore, the Company is subject to credit risk with respect to its reinsurers, as the ceding of risk to reinsurer does not relieve it of its primary liability to its insured customers.

### 2 - 2 - 2 Risks Related to Profitability of Investment Portfolio

The results of the Company's operations depend to a certain extent on the performance of its investment assets which are composed of policyholders' portfolio and shareholders portfolio. The investment results may be subject to a combination of investment risks such as risks related to the macro economic conditions, fluctuation of the market, fluctuation of returns on investment, liquidity and credit risks, and failure to repay loans. If the Company is unable to synchronize its investment portfolio and liabilities, it may be forced at times to liquidate its investments at unfavorable rates, and that may adversely impact the Company's financial conditions and results of operation. The investment portfolio is also subject to regulatory restrictions and unavailability of certain financial products, which may reduce the diversification of asset classes leading to reduction in returns on investment. The management of such investments needs an effective management system and a high degree of capability to select good quality and variety of investments. If the Company is unable to diversify these investments, its returns and accordingly its shareholders equity will be reduced.

### 2 - 2 - 3 Risks related to Litigation

In the ordinary course of its business, the Company may face claims filed against it in connection with its insurance operations regarding coverage or claims adjudication. These claims may materially affect the Company's reputation and financial standing. The Company cannot predict the results of any action, investigation and lawsuit upon its occurrence. The Company cannot also guarantee that such action, investigation, audit, litigation, or change in the policies and operational practices will not adversely and significantly affect the Company's results and financial conditions. The Company is not currently engaged in any legal actions or claims that may have a material adverse effect on its activities or financial position.

## 2 - 2 - 4 Risks Relating to Reporting Requirements

As part of CICCL and its Implementing Regulations, and the Listing Rules requirements, the Company is required to periodically file financial statements with the regulatory bodies, and publish them to the public. Administrative and technical difficulties may occur and cause some delay in the submission of these reports, and in this case the Company could be exposed in exceptional cases to some penalties, imposed either by SAMA or by CMA.

## 2 - 2 - 5 Risks Related to Source of Funds

Saudi ACIG may need to raise large amounts to fund its investments, expansion and operations. In order to achieve that, it may need to search for sources of funding, either through banks or through the issuance of new shares. There is no guarantee that conditions of the capital markets would be favorable, which could increase the cost of financing or delay obtaining that, and adversely affect the Company's operations.

## 2 - 2 - 6 Dependence on Key Personnel

Key personnel play an important role in the success of the Company's business. Its success and future aspirations will depend to a large extent on its ability to recruit and retain qualified staff.

Although ACIG is capable to find and retain qualified and talented employees and to find substitutions to the key personnel who leave the Company, there is no assurance that Saudi ACIG will be able to find alternatives or attract and retain qualified staff when a need arises for them. The loss of services of one or more of key members could adversely affect the Company at the short and medium terms. It could disrupt Company's business and adversely affect its work opportunities, financial situation and results of operations.

## 2 - 2 - 7 Future Information

Some of the data included in this Prospectus relates to future information but does not guarantee future performance. Such forward-looking statements include known and unknown risks and other factors that may affect the actual results and consequently the Company's performance and accomplishments. There are many factors that affect the actual performance, accomplishments or results realized by the Company, making them significantly different from explicit or implied expectation of the data mentioned. If one or more of such unexpected risks occur, or it is confirmed that these assumptions are inaccurate and not correct, the actual results may be significantly different from those shown in the prospectus.

## 2 - 2 - 8 Rating Risks

The Implementing Regulations of the CICCL require the Company to select reinsurers rated by S&P at BBB or its equivalent rating as a minimum. If the rating of a selected reinsurer goes below BBB or its equivalent, the Company will have to cease its reinsurance arrangements or obtain SAMA's consent to retain such a reinsurer, which may materially increase the Company's costs and exposure.

## 2 - 2 - 9 Risk relating to Information Technology

The business and future prospects of the Company will be dependant on the ability of the technology system to process a large number of transactions in a timely and uninterrupted manner, especially when the processing of these transactions becomes increasingly complex with the growth of operations at a considerable rate.

The proper functioning of accounting systems, financial control, customer service, customer database, and other information processing systems, including those relating to the insurance offering and claims handling, as well as communication systems between regional offices and the Information Technology Center at the head office are very important to the Company's operations and its ability to compete successfully. There can be no assurance that the Company's business activities would not be materially impacted in the event of a partial or complete breakdown of any of the main information technology or communications systems.

## 2 - 2 - 10 Policies of Risk Management

The Company has policies for risk management and internal procedures and controls based on international best practices. These policies and internal procedures and controls may not be sufficient to completely reduce the risk exposure in all circumstances, or for some types of risks, including the risks that have not been identified or predicted. As a result, the financial position of the Company and its operations can be adversely and significantly affected by the successive increase in exposure to risk.

Some of the generally accepted practices of insurance companies are to use multiple financial tools and investments to manage these risks that are associated with their business. As per the CICCL's Implementing Regulations, the Company must obtain the approval of SAMA before using these tools, such as financial derivatives and similar management tools, in the future. In case of using of any of them without SAMA's approval, the Company will be exposed to various sanctions contained in the regulations including the withdrawal of the license.



## 2 - 2 - 11 Risk of Staff Misconduct

Notwithstanding the establishment of internal controls and procedures governing staff misconduct, the Company cannot guarantee the non occurrence of staff misconduct incidents. Any such misconduct by staff may cause the Company to be in breach of applicable laws, regulations or rules and may attract disciplinary penalties and financial liabilities and/or significant reputation damages. The Company cannot guarantee that the staff misconduct will not lead to a material adverse effect on its financial condition and results of operation.

## 2 - 2 - 12 Adequacy of Reserves

The Company maintains reserves and provisions to cover future claims and obligations expected as part of the insurance operations and in compliance with the Cooperative Insurance Companies Control Law.

The provisioning process is difficult and complicated and it involves several variables and assumptions. Given the underlying risk and high degree of uncertainty associated with the definition of liabilities that may result from outstanding claims against policies, the Company cannot determine the amount to be paid at the end to settle such claims. In addition, the relatively short history and limited data on the Saudi insurance industry with respect to the results of previous claims could affect the Company's ability to prepare the actuarial assumptions for certain services, such as health care services. As a result, the reserves primarily allocated for payment of claims for future insurance policies can prove to be inadequate and hence, the Company would have to increase the reserves, which could have a material adverse effect on its business, financial condition and results of operations.

## 2 - 2 - 13 Renewals of Existing Policies

The Company's insurance policies are generally of a specified period. If the existing insurance policies are not renewed to the Company's favor, the Company's premiums written in future years and its future results of operations could be materially adversely affected.

## 2 - 2 - 14 Risk of Brand Protection

The Company's competitive position partially depends on its ability to use its name and logo for its services in the systems through which its services are marketed and sold. The Company's ability to prevent the violation of its rights in states of jurisdiction in where the Company is engaged in the business can have a negative impact on the brand and make its activities more expensive, and thus affect the results of the Company's operations. The Company's business will be more affected if it has to compete with similar brands in key markets in which it operates and does not have the proprietary rights.

## 2 - 2 - 15 Risks related to Disputes with the Insured

The Company is committed to quickly pay and settle all claims of policyholders. However, there can be no assurance that disputes may not rise between the Company and some policyholders, which may lead to filing legal claims against the Company with the judicial authorities. This may expose the Company to legal and regulatory risks which may adversely affect its operations.

## 2 - 2 - 16 Unsuccessful Company Development and Expansion

Saudi ACIG's strategy includes development plans for geographical expansion and diversity of services. There can be no assurance that the Company will be successful in realizing all these strategies, and that may affect the assessment of the Company's future business.

## 2 - 2 - 17 Healthcare Supply & Prices

The Company enters into several contracts with health care providers for the provision of health care services to its policyholders. As a result, any delay or interruption in or change to the terms of the ongoing contracts with health care providers such as price changes or interruption of patient treatment may adversely affect the Company's business, results of operations and cash flows.

## 2 - 2 - 18 Risk of non-approval of the Shariah Supervisory Committee

All Company's products are reviewed and approved by the Shariah Supervisory Committee. Also, all new products are subject to review and approval by the Shariah Supervisory Committee before the Company obtains SAMA's approval on them prior to introducing them to the market. In case there is a difference in opinion or raise of any issue regarding Shariah compliant products, the Company's reputation may be adversely affected, which could in turn affects its performance and business results.

## 2 - 3 Risks Related to Ordinary Shares

### 2 - 3 - 1 Risks relating to the distribution of Dividends

Future dividends will depend on, amongst other things, the Company's financial position, future distributable profits, working capital requirements, distributable reserves, available cash with the Company, general economic conditions and other factors that the Directors of the Company deem significant from time to time.

Although it is the Company's intention to pay annual dividends to its Shareholders, the Company does not guarantee that dividends will be actually paid in any given year. Payment of dividends by the Company is subject to certain restrictions mentioned in the Company's By-laws and the relevant regulations. (Refer to "Distribution of Dividend" Section)

### 2 - 3 - 2 Risks Related to Effective Control by the Founding Shareholders

The Founding Shareholders actually own 45% of the Company's issued shares. As such, the Founding Shareholders will have an influence on all matters that require shareholders' approval, including large expenses of the Company and election of board members (except what is mentioned in articles 69 and 70 of the companies regulations).

Accordingly, the founding shareholders can exercise their control in a way that may have significant impact on the Company's business, financial situation and results of operations, including important transactions and capital adjustment.

### 2 - 3 - 3 Fluctuations of Shares Prices

The subscribers to the Company's shares may not be able to resell the shares subscribed at the same Offering price or at higher rate due to a number of factors. The price of shares in the market after the completion of the Rights Issue process can be significantly influenced by factors such as differences in the Company's results of operations, market conditions and changes, change of economic conditions, or a change in governmental regulations.

### 2 - 3 - 4 Risks Related to Expiry of Lock-up Period

The Founding Shareholders were restricted from selling their Shares in the Company for a period of 3 full fiscal years, each consisting of not less than 12 months ("Lock-up Period "). This Lock-up Period has expired upon the elapse of three fiscal years from listing the Company's Shares in Tadawul. Therefore, sales of substantial amounts of the shares by the shareholders after the expiry of the restriction period, or even the perception that these sales may occur, could adversely affect the market price of the Company's shares. The restriction period on the shares of the founding shareholders expired on 31/12/2010G, and the founding shareholders received the approval of the Saudi Arabian Monetary Agency (SAMA) to lift the restriction on their shares, except for the following shareholders: ACIG Bahrain and the Islamic Development Bank. The above mentioned shareholders will be subject to the restriction currently applied on their current shares and Right Issue shares in the event of their subscription in the Right Issue Shares. The restriction will be lifted upon approval from the CMA and SAMA.

### 2 - 3 - 5 Risk Related to Sale or Purchase of Substantial Numbers of Shares

Sale of substantial numbers of the Company's shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

### 2 - 3 - 6 Risk Related to Dividends

After completion of the Offering of the Rights Issue Shares and capital increase, the profit of the Company's shares may be affected, since the dividends of the Company will be divided into a larger number of shares. The Company does not guarantee distribution of any specific dividend after the capital increase.



### 3. Overview of the Market

#### Market and Industry Information

The information regarding the insurance industry and other data regarding the market segment in this Prospectus has been obtained from different sources. Including (1) the Company projections and estimates; (2) industry information and analysis obtained from other parties and publically available information. the Company has made a reasonable effort to verify the sources. While neither BMG Financial Group nor the Company's Advisers whose names appear on pages F and G have any reason to believe that the information on the insurance industry and other data regarding the market segment are materially inaccurate. Further, as these sources are publically available, then providers' consent to refer to their names in this prospectus have not been obtained. The sources of information include:

#### (1) The Saudi Arabian Monetary Agency ("SAMA")

SAMA, the central bank of the KSA, was established in 1952G. The main functions of SAMA include: Issuing the national currency; acting as a banker to the government; supervising commercial banks and insurance companies; managing the KSA's foreign exchange reserves; conducting monetary policy to promote price and exchange rate stability and promoting growth and ensuring the soundness of the banking and financial system.



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Fax: +966-1-466 2966  
[www.sama.gov.sa](http://www.sama.gov.sa)

#### (2) Ministry of Economy and Planning

Planning body for economic development in Saudi Arabia started in 1390H (1970G), providing means to the Saudi Government to take prudent resolutions with regard to resource distribution for development purposes and ensure that all government bodies act in harmony to achieve the defined policy Priorities.



Riyadh  
Kingdom of Saudi Arabia  
<http://www.mep.gov.sa>

#### (3) Tadawul

The Council of Ministers, in its session held on Monday 29/02/1228H (19/03/2007G), chaired by the Custodian of the Two Holy Mosques, King Abdullah bin Abdul Aziz Al-Saud, approved the incorporation of a Saudi Joint Stock Company under the name. "Saudi Stock Exchange Company (Tadawul)". The resolution was implementing Article 20 of the Capital Market Law which stipulates that the legal capacity of the capital Market will be a joint stock company.



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Tadawul main No. is +966-1-218-9090  
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<http://www.tadawul.com.sa>

#### (4) Swiss Reinsurance Company ("Swiss Re")

Swiss Re is a leading international company in the field of reinsurance. It was established in 1863G in Zurich, Switzerland. Swiss Re has a presence in more than 25 countries and publishes a range of reports on insurance markets worldwide. The information used from Swiss Re is publicly available and can be found on the internet.

**Swiss Re**



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### 3 - 1 Overview of Saudi Economy

Saudi Arabia is an oil-based economy as its economy principally relies on oil as a main source of revenues. As per 2010G forecasts, the Kingdom of Saudi Arabia has 264.5 billion barrels in reserves, representing 18% of the world's total reserves<sup>5</sup>. The Kingdom ranks as the largest exporter of oil and plays a leading role in OPEC. Oil revenues represent approximately 93% of the Government's revenues, or 52% of its GDP, and 90% of export revenues. The Saudi private sector's contribution to the GDP of the Kingdom of Saudi Arabia stands at 40%.<sup>6</sup>

The Kingdom's GDP for 2010G is estimated at SAR 1.66 trillion (USD 442 billion) with growth rate of 18% compared to last year. This economic growth is attributable to the rise in oil export revenues as a result of the high prices as well as to the government's strategic plan to invest in the production capacity of the Kingdom in infrastructure projects, education and health. This was clear in the announcement of the government of the expansion plan for the fiscal year 1433/1434H which has expenses of SAR 804 billion.<sup>7</sup>

### 3 - 2 Economic Change:

With the economic plan of the Kingdom of Saudi Arabia having experienced a major restructuring exercise, the role of government sector retreated in favor of private sector, the role of which began to grow gradually as a result of the strategic approach adopted by the Kingdom encouraging the private sector to play a greater role in the contribution to the national economy. This can be evidenced in the Kingdom's encouragement and support of privatization process.

### 3 - 3 Capital Market Performance

The local Stock Market news were the most prominent within the Saudi economic news since first quarter of 2003G until the first half of 2006G. The major fluctuations of the Saudi Equity Index contributed to the attraction of many investors' attention, even overseas investors. In the year 2006G, the Shares index lost about 53.26% of its value leading to many investors losing major part of their savings thereby affecting all sectors of the economy. However, the continued level of government financial expenditure which created many employment opportunities coupled with an increase in the public sector pay of about 15% and a drop in fuel prices were all factors which contributed to a partial rise of the consumer purchasing power and contributed to the restoration of consumer confidence. The consumer confidence index rose by about 40.24% in 2007G.

Again in 2008G, the TASI experienced a severe drop losing almost 56.49% as a result of the severe crisis which impacted the global economy and financial markets. Recently, some global economies started to show slight recovery signs which reflected positively on the capital global markets as well as Tadawul which rose by 22% in the year 2009G<sup>8</sup>.

In the years 2010G and 2011G, market performance was not satisfactory, where the market won about 8% and lost about 4%, respectively. This year market performance was good and increased by 22% during the first quarter of 2012G<sup>9</sup>.

### 3 - 4 Population Growth

The Kingdom of Saudi Arabia is experiencing an immense growth in the number of its population. As at the end of 2010G, the Kingdom's population stood at 27 million compared to 22.7 million at the end of 2004G, with a growth rate of 3.2%<sup>10</sup>. The fast growth of the population is accompanied with a large increase in the demand on all types of insurance services, in general and on consumer insurance services, in particular; this includes but is not limited to health and motor insurance.

<sup>5</sup> OPEC <http://www.opec.org> dated 12 May 2012G.

<sup>6</sup> Ministry of Finance <http://www.mof.gov.sa> dated 12 May 2012G.

<sup>7</sup> Ministry of Finance <http://www.mof.gov.sa> dated 12 May 2012G.

<sup>8</sup> [www.tadawul.com.sa](http://www.tadawul.com.sa).

<sup>9</sup> [www.tadawul.com.sa](http://www.tadawul.com.sa)

<sup>10</sup> General Statistic and Information Authority .

### 3 - 5 International Insurance Markets

The total insurance premiums in the World (property, damage, protection, savings and health protection) in 2011G stood at about USD 4.59 trillion (SAR 17.21 trillion) compared with USD 4.3 trillion (SAR 16.12 trillion) in 2010G, according to figures announced by Swiss Re. The total amount of insurance premiums in the United States has reached about USD 1.2 trillion (SAR 4.5) in 2011G, rising by 0.5% over 2010G, during which the premiums amounted to USD1.16 trillion (SAR 4.35 trillion).<sup>11</sup>

As for the Middle East and North Africa, the total insurance premiums (except protection and savings) in 2011G can be summarized for, in the following table:

Country	Insurance Premiums (SAR million)	Percentage (%) of Global Markets
Turkey	31,762	0.43%
Iran	28,312	0.38%
United Arab Emirates	20,287	0.28%
Kingdom of Saudi Arabia	17,559	0.24%
Morocco	7,458	0.10%
Algeria	4,121	0.06%
Egypt	3,648	0.05%
Qatar	3,405	0.05%
Tunisia	2,602	0.04%
Kuwait	2,351	0.03%
Oman	2,313	0.03%
Jordan	2,118	0.03%
Bahrain	1,616	0.02%

Source: Swiss Re

### 3 - 6 Saudi Insurance Market

#### 3 - 6 - 1 Background

Since 1970G, insurance sector has focused on revenues from Government insurance and construction projects, which were largely dominated by foreign companies before. In 1985G, the concept of cooperative insurance has been approved by the Council of Senior Scholars. The first insurance company registered in the Kingdom was then established after obtaining approval of the SAMA in 1405H (corresponding to 1984G). That company operates according to Islamic law.<sup>12</sup>

Currently SAMA regulates and oversees the insurance sector and prepares and applies the licensing standards for the insurance companies. The new law imposes on insurance companies to be registered and licensed in the Kingdom as a public joint stock companies to practice insurance business in the Kingdom. The new regulations apply not only to insurance companies, but also to re-insurance companies, insurance brokers, agencies and offices of loss adjusters.

In 1420H (1999G), the regulations for Cooperative Health Insurance Council were issued based on the Royal Decree No. (M/10) dated 01/05/1420H (corresponding to 08/13/1999G) to regulate the cooperative health insurance industry. In Rabei II, 1423H (corresponding to June 2002G) the Cooperative Health Insurance Council issued the Implementing Regulations for the compulsory Cooperative Health Insurance Law, which imposes upon all companies that employ more than 500 expatriate workers to provide health coverage to them. Phase II of implementation includes all companies that employ between 100-500 expatriate workers. The third and final phase includes all companies that hire expatriates. The announcement for final implementation of this Law was made in 1426H (2005G). The Kingdom of Saudi Arabia is determined to be the first country in the world to apply the compulsory cooperative health insurance system for citizens and expatriates, and to raise awareness in relation to this matter through the media and other channels<sup>13</sup>.

The decision for compulsory insurance of holders of driving licenses has been applied based on the Council of Minis-

<sup>11</sup> Swiss Re World Insurance 2011G.

<sup>12</sup> Economic Intelligence Unit (August 13, 2006G) Country Risks, Openness of Saudi Insurance Market.  
<http://www.garp.com/risknews/newsfeed.asp?Category=6&MyFile=2006-10-13-13663.html>

<sup>13</sup> Turki Al Suahil, Al Sharq Al Awsat Newspaper, Minister of Health: "We will be the first country to apply the cooperative health insurance on all residents.

ters Resolution No. 222, dated 13 Shaaban 1422H (October 30, 2001G). The Council of Ministers has issued recently a resolution to effect compulsory third part liability insurance for motor vehicles rather than license insurance.

In 2003G, the Law on Supervision on Cooperative Insurance Companies was promulgated by Royal Decree No. (M/32), dated 2/6/1424G. The Implementing Regulations for this Law were issued under Ministerial Resolution No. 1/596, dated 01/03/1425H, allowing the establishment of companies that had local activity or local licensed branches of foreign companies in order to transact cooperative insurance business in the Kingdom.

The Law on Supervision on Cooperative Insurance Companies and its Implementing Regulations provide for the establishment of local insurance companies to exercise insurance activity in the Kingdom. SAMA will be responsible for regulating and supervising the insurance sector and preparing and implementing the licensing standards of insurance companies. This has been followed by issuance of a number of royal decrees since 16/9/1427H (09/10/2006G) approving the incorporation of a number of insurance companies.

### 3 - 6 - 2 Overview of Saudi Insurance Market

Insurance market has witnessed a remarkable growth in the Kingdom reaching 12% with a total premium of SAR 16.4 billion in 2010G, compared to SAR 14.6 billion in 2009G. The percentage of growth in health insurance was 19% and the percentage of growth in motor insurance was 6% in 2010G<sup>14</sup>. The total growth rates in the size of the insurance market reached levels higher than 20 and 30% per annum as shown in the following table:

	2006G	2007G	change	2008G	change	2009G	change	2010G	change
Total premiums of protection and saving Insurance (SAR million)	218	327	50%	594	82%	1,003	69%	972	-3%
Health Insurance (SAR million)	2,222	3,065	38%	4,805	57%	7,292	52%	8.69	19%
General Insurance (SAR million)	4,497	5,191	15%	5.52	6%	6,315	14%	6,725	6%
Total Insurance Premiums (SAR million)	6,937	8,583	24%	10,919	27%	14.61	34%	16,387	12%
Percentage of General Insurance to GDP	0.34%	0.37%	8.82%	0.31%	-16.22%	0.46%	48.39%	0.41%	-10.87%
Percentage of Health Insurance to GDP	0.17%	0.22%	29.41%	0.27%	22.73%	0.53%	96.30%	0.53%	0.00%
Percentage of Protection and Saving Insurance Premiums to GDP.	0.02%	0.02%	0.00%	0.03%	50.00%	0.07%	133%	0.06%	-14.29%

Source: SAMA

#### Relevant Distribution of main insurance segments (2010G):

Insurance Segment	Percentage (%) to total written premiums 2007G	Percentage (%) to total written premiums 2008G	Percentage (%) to total written premiums 2009G	Percentage (%) to total written premiums 2010G
Health	36%	44%	50%	53%
Motor	28%	23%	21%	20%
Protection & Savings	4%	5%	7%	6%
Properties	9%	7%	6%	6%
Engineering	6%	6%	6%	5%
Maritime	6%	6%	4%	3%
Accidents and Liability	7%	5%	4%	3%
Energy	4%	2%	2%	2%
Aviation	1%	1%	1%	2%

Source: SAMA

<sup>14</sup> SAMA, Saudi Insurance Market Report, 2010G.

The above table depicts the relative distribution of Shares in different insurance segments based on insurance premiums where motor and health insurance segments domain more than half of the market. Total written premiums during the period 2007G-2010G stood at SAR 8.5,10.9,14.6 and 16.4 billion respectively.

### Insurance market Penetration (2006-2010G)

Type of Activity	2006G	2007G	2008G	2009G	2010G	Change % 09-10
	SAR	SAR	SAR	SAR	SAR	
Total General Insurance	189.9	216.5	222.5	248.9	247.8	-0.4%
Total Health Insurance	93.8	127.8	193.7	287.4	320.2	11.40%
Total Protection and Savings Insurance	9.2	13.6	23.9	39.9	35.8	-9.4%
Total	292.2	357.9	440.1	575.8	603.9	-4.9%

Source: SAMA

Insurance Penetration is defined as the expense rate per capita on insurance (gross written premiums divided by the number of population). As per the above table, Insurance Penetration rose from SAR 576 per capita in 2009G to SAR 604 per capita in 2010G, an increase of 4.9%. Rate insurance expenses per capita increased also at an annual average of 20% during the period 2006-2010G. Rate of protection and saving insurance remains generally at a low level compared to General and Health insurance which posted SAR 36 per capita.

### Breakdown of insurance premiums by Lines of Business (2009G-2010G)

Type of Activity	2009G		2010G		Change % 09-10
	SR (Million)	%	SR (Million)	%	
Insurance against accidents, liability, etc	244.3	2.4%	275.9	2.3%	12.9%
Motor insurance	2,944.1	29.2%	3,098.8	26.3%	5.3%
Property and Fire	105.1	1.0%	126.5	1.1%	20.3%
Maritime	183.2	1.8%	175.4	1.5%	-4.3%
Aviation	1.1	0.01%	4.8	0%	341.6%
Energy	5.2	0.1%	7.6	0.1%	46.0%
Engineering	125.3	1.2%	113.9	1.0%	-9.1%
Total General Insurance	3,608.4	35.8%	3,802.9	32.2%	5.4%
Total Health Insurance	5,556.9	55.2%	7,120.0	60.3%	28.1%
Total Protection and Serving	908	9.0%	876.8	7.4%	-3.4%
Total	10,073.2	100.0%	11,799.7	100.0%	17.1%

Source: SAMA

Net written premiums is defined as premiums held by the insurance company after deducting the premiums assigned to the local and international re-insurance companies from the gross written premiums according to the type of activity. The above table shows the increase in total net written premiums from SAR 10.07 billion in 2009G to SAR 11.80 billion in 2010G, an increase of 17%.

Also in 2010G, motor and health insurance constituted about 86% of the total net premiums written, while health insurance maintained its position in terms of being the largest activity of insurance, with a share of 60% of the total net premiums written in 2010G, compared with 55% in 2009G.

The share of motor insurance from the gross premiums written remains dropping, but it maintained the second place, where the share of motor insurance premiums written stood at 26% in 2010G compared with 29% in 2009G.<sup>15</sup>

<sup>15</sup> SAMA, Saudi Insurance Market Report, 2010G.

## Average Retention by Type of Activity (2009G-2010G)

Type of Activity	2009G	2010G	Change % 09-10
	%	%	
Insurance against accidents, liability, etc	44.9%	54.4%	21.2%
Motor insurance	96.4%	95.7%	-0.7%
Property and Fire	11.6%	13.2%	13.6%
Maritime	34.9%	33.8%	-3.0%
Aviation	0.6%	1.6%	152.5%
Energy	1.7%	2.3%	33.9%
Engineering	15.5%	13.1%	-15.3%
Total General Insurance	57.1%	56.5%	-1.0%
Total Health Insurance	76.2%	81.9%	7.5%
Total	67.4%	70.9%	5.2%

Source: SAMA

Note: retention rates do not appear for protection and savings insurance, as savings component included in the contract in Saudi companies should be retained, and therefore the retention rate of this type of insurance cannot be compared with other types.

Retention rate is a measure of written insurance premiums held by the insurance company. It can be obtained by dividing the net written premiums by the total written premiums. According to the above table, the overall retention rate for insurance companies rose from 67.4% in 2009G to 70.9% in 2010G. This is due to the high retention rate for motor insurance and health insurance, which constituted 73% of the total written premiums. In 2010G, retention rate for motor insurance was 96% and for health insurance was 82%<sup>16</sup>.

## Total paid claims by type of activity (2009G-2010G)

Type of Activity	2009G		2010G		Change % 09-10
	SR (Million)	%	SR (Million)	%	
Insurance against accidents, liability, etc	98.4	1%	57.8	1%	-41.2%
Motor insurance	1,621.4	22%	1,881.5	22%	16.00%
Property and Fire	456.1	6%	397.3	5%	-12.9%
Maritime	166.7	2%	276.5	3%	65.80%
Aviation	17.8	0%	26.5	0%	49.40%
Energy	570.1	8%	138.5	2%	-75.7%
Engineering	145.6	2%	159.2	2%	9.30%
Total General Insurance	3,076.2	42%	2,937.3	35%	-4.5%
Total Health Insurance	4,010.0	55%	5,440.2	64%	35.70%
Total Protection and Serving	169.2	2%	136.2	2%	-19.5%
Total	7,255.4	100%	8,513.8	100%	17.30%

Source: SAMA

The table above shows that the total paid claims rose from SAR 7.26 billion in 2009G to SAR 8.51 billion in 2010G, an increase of 17%. In 2010G, the total paid claims on health insurance grew by 36%, while motor insurance grew by 16% compared to 2009G.<sup>17</sup>

<sup>16</sup> SAMA, Saudi Insurance Market Report, 2010G.

<sup>17</sup> SAMA, Saudi Insurance Market Report, 2010G.

### 3 - 6 - 3 Competition

The market is currently witnessing vital changes with a noticeable rise in the competition momentum as new companies have got licensed to enter the market under the Cooperative Insurance Companies Control Law. The momentum of competition between the presently operating companies and new market entrants is expected to increase as the new entrants will mainly rely upon several factors such as competitive prices, higher customer service standards, and enhanced proficiency of administrative operations and adoption of new technologies to secure their market share.

#### Market Share of Competitors (2009G-2011G)

	2011G		2010G		2009G	
Company 1	4,431,153	26%	4,180,906	27%	4,035,339	38%
Company 2	2,811,057	16%	2,622,549	17%	1,849,482	17%
Company 3	1,993,251	12%	1,749,390	11%	1,347,337	13%
Company 4	683,691	4%	523,414	3%	337,831	3%
Company 5	600,911	4%	600,261	4%	363,187	3%
Company 6	565,059	3%	567,734	4%	269,06	3%
Company 7	548,444	3%	552,694	4%	73,607	1%
Company 8	538,092	3%	409,922	3%	379,938	4%
Company 9	493,344	3%	229,864	1%	0	0%
Company 10	474,727	3%	162,531	1%	0	0%
Company 11	427.79	2%	330,182	2%	0	0%
Company 12	328,777	2%	389,587	3%	494,674	5%
Company 13	322,582	2%	70,113	0%	0	0%
Company 14	278.56	2%	219,998	1%	142.92	1%
Company 15	267,942	2%	345,608	2%	389,325	4%
Company 16	257,738	2%	260,648	2%	82,828	1%
Rest of Companies	2,132,379	12%	2,300,278	15%	909,883	9%

Source: Financial Advisor

As shown in the table above, the average market ratio for the largest five companies is worth more than 50% of the insurance market during the last three years, with the rest of the companies holding less than 5% of market share. The average market share of ACIG in the last three years is still less than 1%. However, it must be taken into consideration that many of the companies listed above are new and have not yet obtained SAMA's approval on all of their services and products and do not compete in the same sector.

### 3 - 6 - 4 Future Outlook

The approach towards an open economy adopted by the Saudi Government and the policy for diversification of revenue resources away from oil have positively impacted the national economy of the Kingdom to the extent that the economy recorded very strong growth in the recent years. This policy made the national economy more appealing to many investors and consequently reflected on the size of investment inflows. The Saudi economy proved its strength under the new global crisis, a factor which contributed to encouraging the government to continue its financial expansion policy and to maintain its long term infrastructure project financing, which is considered a main point of support to the development of the Saudi economy. In view of these facts, growth is expected to be achieved across all economic sectors throughout the coming years.

The insurance sector is particularly expected to grow in the next five years, due to the enforcement of the new health insurance regulations, the compulsory motor insurance rules as well as the tendency to generally regulate the insurance sector with the issue of the Cooperative Insurance Companies Supervision Law and its Implementing Rules. The licensing of existing insurance companies in the Kingdom will produce more confidence in the market, which would

in turn add more growth momentum to the market<sup>18</sup>

On the other hand, the increase of the number of licensed Cooperative Insurance Companies in the Kingdom will be a focal factor for the increase of competition; many companies have been already licensed, some are under licensing and some others are under study. With these facts, the number of cooperative insurance companies in the Kingdom is expected to increase to 36 companies in the near future<sup>19</sup>; consequently, this will increase the momentum of competition<sup>20</sup>. Here is a list of the companies listed to date:

- |  |  |
|--|--|
| 1) ) Tawuniya Insurance Company ( Tawuniya)            | 18) AXA Cooperative Insurance Company  |
| 2) Al-Ahlia Cooperative Insurance Company              | 19) Al Ahli Takaful Company  |
| 3) The General Gulf Cooperative Insurance Company      | 20) Trade Union Cooperative Insurance Company  |
| 4) Saudi Allied Cooperative Insurance Company          | 21) Arabia Insurance Cooperative Company   |
| 5) Saudi Indian Company for Cooperative Insurance      | 22) Arabian Shield Cooperative Insurance Company                                       |
| 6) Saudi Re for Cooperative Reinsurance Company        | 23) Al Sagr Cooperative Insurance Company  |
| 7) Saudi Arabian Cooperative Insurance Company (SAICO) | 24) Al Rajhi Company for Cooperative Insurance   |
| 8) Allied Cooperative Insurance Group (ACIG)           | 25) International Cooperative Insurance  |
| 9) Saudi National Insurance Company                    | 26) The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (MedGulf) |
| 10) Allied Cooperative Assurance Company (UCA)         | 27) Borouj Cooperative Insurance   |
| 11) BUPA Arabia for Cooperative Insurance              | 28) Sanad Insurance and Reinsurance Cooperative Company                                |
| 12) SABB Takaful                                       | 29) Malath Cooperative Insurance Company   |
| 13) Saudi Fransi Cooperative Insurance Company         | 30) Saudi Solidarity Takaful Company   |
| 14) Amanah for Cooperative Insurance                   | 31) Saudi Enaya for Cooperative Insurance  |
| 15) Saudi IAIC Cooperative Insurance Company (Salama)  | 32) Wequya Takaful Insurance and Reinsurance Company                                   |
| 16) ACE Arabia Cooperative Insurance Company           | 33) Inma-Tokio Marine Company  |
| 17) Gulf Union Cooperative Insurance Company           |  |

Following are the companies which have obtained the Ministerial Approval for their incorporation, but have not yet undergone an IPO:

- 1) American International Group and Arab National Bank Company
- 2) Al Jazirah Takaful Cooperative Company

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<sup>18</sup> BMG.

<sup>19</sup> SAMA.

<sup>20</sup> SAMA.



## 4. The Company

### 4 - 1 Company Background

#### 4 - 1 - 1 Saudi ACIG

Allied Cooperative Insurance Group ("ACIG"), (hereinafter referred to as "Saudi ACIG" or "Company", is a Saudi Joint Stock Company in accordance with the Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 09/10/2006G) and Royal Decree No. M/60 promulgated on 18/09/1427H (corresponding to 11/10/2006G), with Commercial Registration No 4030171999. The current Share Capital of the Company is SAR 100,000,000, consisting of 10,000,000 ordinary shares of equal value of SAR 10 each, and all are fully paid. The major shareholders of the Company are:

- The Islamic Development Bank, and
- Allied Cooperative Insurance Group (ACIG Bahrain).

The Founding Shareholders subscribed for 6,000,000 Shares representing 60% of the Company's Shares Capital. 4,000,000 Shares have been offered to public at SAR 10 per share.

The Company provides insurance services including:

- Medical Insurance
- Motor Vehicle
- Medical Malpractice
- General Accidents
- Marine Insurance
- Engineering Insurance
- Property Insurance

As a joint Stock Company, ACIG conducts cooperative insurance business under the final license issued from SAMA on 15/05/1430H, corresponding to 11/05/2009G.

The following table shows the Company's history since 2009G to date:

2009G	2010G	2011G	2012G
<ol style="list-style-type: none"><li>1. The company received prequalification from the General Secretariat of the Council of Cooperative Health Insurance</li><li>2. Took a decision to increase the Share Capital from SAR 100 million to SAR 250 million, to support the Capital base of the Company, and enable it to achieve the objectives of reaching a high rank in insurance market</li></ol>	<ol style="list-style-type: none"><li>1. The Company began issuing policies relating to health insurance, but due to technical and administrative obstacles, it stopped this activity for a while.</li><li>2. The Company obtained the approval of SAMA on opening 19 points of sale in different regions</li><li>3. The Company obtained the approval of SAMA, in the fourth quarter in the year to increase its Share Capital by SAR 100 million</li></ol>	<ol style="list-style-type: none"><li>1. The Company resumed work in health insurance</li><li>2. The main activity of the Company includes general insurance, containing mainly motor insurance, property insurance against fire, theft, damage, etc., marine insurance, engineering insurance and general accidents. Motor insurance constituted about 79% of the Company business.</li><li>3. The Company contracted during 2010G and 2011G with three insurance agents licensed by the Saudi Arabian Monetary Agency</li><li>4. The Company obtained approval of SAMA on opening 44 new points of sales covering different regions of the Kingdom</li></ol>	<ol style="list-style-type: none"><li>1. The Company obtained prequalification from the General Secretariat of the Council of Cooperative Health Insurance for 3 years</li><li>2. The Council issued Resolution No. 10-2012 dated 26/06/2012G approving the recommendation of the Extraordinary General Assembly to increase the Share Capital of the Company from SAR 100 million to SAR 200 million to meet the solvency margin and the statutory reserve requirements</li></ol>

Source: the Company

No change is expected in the Company's nature of business in the foreseen future.

#### 4 - 1 - 2 Company Ownership Structure

The current Share Capital of the Company is SAR 100,000,000, consisting of 10,000,000 shares. The Founding Shareholders subscribed for 6,000,000 Shares representing 60% of the Share Capital of the Company, while 4,000,000 Shares were offered to the public at SAR 10 per Share on 21/04/1428H corresponding to 09/05/2007G. The following table shows the current Shareholding structure of the Company.

Table (1): Distribution of Ownership Shares of Founding Shareholders (As at 2 July 2012G)

Shareholders Nam	Nationality	No. of Shares	Nominal Value	Ownership (%)
The Islamic Development Bank	International Institution	2,000,000	20,000,000	20%
Allied Cooperative Insurance Group (ACIG Bahrain)	Bahrain	2,000,000	20,000,000	20%
HRH Prince Saud bin Nayef bin Abdul Aziz Al Saud	Saudi	20,000	2,000,000	2%
Abdul Aziz Bin Abdul Raman Al Hamdan	Saudi	20,000	2,000,000	2%
Ali Hassan Bin Al Jasser Al Shehri	Saudi	15,405	154,050	0.15%
Total Founding Shareholders		4,415,405	44,154,050	44.15%
Public		5,584,595	55,845,950	55.85%
Total		10,000,000	100,000,000	100%

Source: the Company

Note: The lock-up period for the Founding Shareholders has expired on 31/12/2010G. The Founding Shareholders received the approval of CMA and SAMA to lift the restriction on their shares, except for the following shareholders: ACIG Bahrain and the Islamic Development Bank. The above mentioned shareholders will be subject to the restriction currently applied on their current shares and Rights Issue Shares in the event of their subscription in the Rights Issue Shares. The restriction will be lifted upon approval by the CMA and SAMA.

## 4 - 2 Founding Shareholders

### 4 - 2 - 1 Islamic Development Bank

The Islamic Development Bank is an international financial institution established by the Member States of the Organization of Islamic Conference under the declaration of intent issued at the meeting of finance ministers of Islamic countries. The Islamic Development Bank owns 20% of the Company share Capital. The Bank aims to activate the economic development and social progress of Member States and Muslim communities according to the instructions of Islamic Shariah (law).

The Bank's business is focused on participating in share capital of companies, granting loans for productive projects, in addition to providing financial assistance to Member States in the form of economic and social development. Among the functions of the bank, is establishment and operation of funds for special purposes including a fund to help Muslim communities in non-Member States, in addition to establishment of charitable funds.

### 4 - 2 - 2 Allied Cooperative Insurance Group (ACIG Bahrain) – a Bahraini Joint Stock Company

As shown in the table above, the Allied Cooperative Insurance Group - Bahrain is a Joint Stock Company in Bahrain (hereinafter referred to in this prospectus as "ACIG Bahrain"), owns 20% of the Share Capital of the Company, ACIG Bahrain issues insurance policies in the Kingdom of Bahrain, but that is a small part of its overall works. The following illustrates the structure of the direct and indirect ownership of ACIG Bahrain according to the following tables:

Table (2): ACIG Bahrain Shareholding Structure

Shareholders	Ownership %
Abdullah Mohammad Ali Rayes	50%
Al Gazzawi Development Company Ltd	30%
Abdul Qader Bakri Al Bakri and Sons Company	20%
Total	100%

Source: The Company

Table (3): Al Gazzawi Development Company Shareholding Structure

Shareholders	Ownership %
Malak Yahya Rikabi	25%
Bilal Talal Ghazzawi	25%
Adnan Talal Ghazzawi	25%
Hossam Talal Ghazzawi	25%
Total	100%

Source: The Company

Table (3): Abdul Qader Bakri Al Bakri Shareholding Structure

Shareholders	Ownership %
Abdul Qader Bakri Al Bakri	41.50%
Gassan Abdul Qader Al Bakri	9%
Zuhair Abdul Qader Al Bakri	9%
Monammad Hani Al Bakri	9%
Weleed Abdul Qader Al Bakri	9%
Raád Abdul Qader Al Bakri	9%
Faisal Abdul Qader Al Bakri	9%
Asmaa Abdul Qader Al Bakri	4.5%
Total	100%

Source: The Company

#### 4 - 3 Direct And Indirect Interests Of The Board Members And Senior Executive In The Company

S/N	Name	Position	Nationality	Direct Owner-ship	Indirect Owner-ship	Direct and Indi-rect Ownership
1	Khalid Bin Hamad Al-Bassam	Chairman	Saudi	1,000	0	1,000
2	Mohammed Hani Bin Abdul-Qader Al Bakri	Member	Saudi	0	36,000	36,000
3	Thamer Bin Abdullah Rayes	Member	Saudi	1,025	0	1,025
4	Hussam Bin Talal Al Gaz-zawi	Member	Saudi	1,000	150,000	151,000
5	Suleiman Bin Abdullah Al Khuraiji	Member	Saudi	11,000	0	11,000
6	Khamis Bin Salim Al Qazah	Member	Saudi	0	0	0
7	Abdul Latif Bin Mohammed Al-Sheikh	Member	Saudi	1,000	0	1,000
8	Majid Bin Khaled Al Mu-zairae	Member	Saudi	1,000	0	1,000
9	Ali Bin Hassan Al-Jasser Al- Shehri	Member	Saudi	15,405	0	15,405
10	Hisham Bin Mohammed Al-Shareef	Member	Saudi	1,000	0	1,000

Source: The Company

Some Board Members whose names are listed below hold direct and indirect interests in Saudi ACIG (as of 2 July 2012G) in the form of ownership of the Company shares or shares in companies that hold interests in Saudi ACIG. None of the other Board Members, Senior Executives, Board Secretary or their relatives hold any other interests in the Company as at the date of this Prospectus.

#### 4 - 3 - 1 Hossam Talal Al-Ghazawi

Mr. Hussam Al-Ghazawi owns 25% of Ghazzawi Development Co. Ltd., which in turn owns 30% of ACIG Bahrain and thus the value of interest for Mr. Hussam Al-Ghazawi is 1.5% of Saudi ACIG. On the other hand, Ghazzawi Development Co. Ltd. is owned in full by the mother and brothers of Mr. Hossam Ghazawi. Thus, Mr. Hossam Al-Ghazawi controls, directly or indirectly, 6% of Saudi ACIG.

#### 4 - 3 - 2 Mohammed Hani Al-Bakri

Mr. Mohammed Hani Al-Bakri owns 9% of Abdel-Qader Bakri Al-Bakri & Sons Holding Co. which in turn owns 20% of ACIG Bahrain, and thus the value of personal interest for Mr. Mohammed Hani Al-Bakri is 0.36% of Saudi ACIG. On the other hand, Abdul Qader Bakri Al-Bakri & Sons Holding Co. is owned in full by the father and brothers of Mr. Mohammed Hani Al-Bakri. Thus, Mr. Mohammed Hani Al-Bakri controls, directly or indirectly, 4% of Saudi ACIG.

#### 4 - 3 - 3 Abdul Aziz Abdul Rahman Al-Hamdan

Mr. Abdul Aziz Abdul Abdul-Rahman Al-Hamdan owns 2% of the company shares. Accordingly, Mr. Abdul Aziz Abdul Rahman Al-Hamdan controls, directly or indirectly, 2% of the shares of the company.

## 5. The Company's Mission and Strategy

### 5 - 1 Vision Statement

To be the preferred Cooperative Insurance company in the region that provides security to customers and delivers value to employees and shareholders applying the highest international standards.

### 5 - 2 Mission Statement

To provide Shariah compliant solutions to the community and manage the risk in a manner that delivers value to all Stakeholders

### 5 - 3 Company Strategy

Although the company's policy will be based on sales strategy and focused promotional campaign in order to increase the total premiums, the Company will take into account the following:

- avoid unhealthy competition which is based on lowering the prices without comprehensively analyzing each type of risk and determine the right price for it.
- adopt a conservative insurance policy to ensure a sufficient return for shareholders.

To be able to implement this strategy successfully, the Company will:

- subdivide the market focus significantly on small and medium-sized enterprises and personal insurance.
- provide various types of products and services.
- distinguish itself from competitors by quick communication with customers and expedited delivery of services.
- complete the establishment of extensive distribution network, which has already been effected through the opening of at least 20 distribution points.
- adopt a precise pricing strategy.
- increase customer satisfaction to ensure their retention.
- adopt an active approach in the management of accounts.
- the company uses huge database of customers to market other products.

#### 5 - 3 - 1 Products Development

The Company seeks to develop existing products to suit its customers and develop its products in other areas to meet its clients' needs in the Saudi market at present and in the future. However, this development of the products must take into account the legitimate requirements and cultural background of the local community. The Company will allocate a professional work team to develop and modify these products to suit the requirements of its customers while maintaining the principles of cooperative insurance. This is an important role to gain confidence of new customers after completion of licensing process and full implementation of operations.

#### 5 - 3 - 2 Distribution Channels

To follow up all segments of insurance market, the Company will continue to adopt direct sales mechanism as well as the services of agents and other brokers at the same time. It will complete establishment of many distribution channels, and in addition to traditional channels, the Company will work to create alternative distribution channels.

The following is explanation of direct and indirect sales channels with the Company:

#### Direct sales channels

The Company sells through 4 main branches, and it has approval from the SAMA to open 63 points of sale. The Company has already opened 25 points, and work is under progress to open the rest of points of sale.

#### Indirect sales channels

There are channels represented by agents of the Company, as the Company has 3 agents, and each agent has 5 points of sale, in addition to insurance brokers approved by the SAMA.

Note: The insurance broker works through branches belonging to the Head Office and does not have direct sale channels.

### 5 - 3 - 3 Traditional channels

#### 5 - 3 - 3 - 1 Direct sales from main offices

The Company's main offices are responsible for sales to selected segments.

#### 5 - 3 - 3 - 2 Agencies

The Company will complete its plan to sell its services primarily through the agent, side by side, so that the Company can have more coverage for most busy regions and cities. The Company has already started by signing up with three agencies licensed by the Saudi Arabian Monetary Agency, which helped it to form a wide spread network throughout the Kingdom .

#### 5 - 3 - 3 - 3 Branches

The Company currently operates through four main branches licensed by the Saudi Arabian Monetary Agency including (Jeddah - Riyadh – Al-Khobar – Khamis Mushait) in addition to the Company's main center in Jeddah. The Company will develop its branches within each region. The Company aims to establish other branches if need arises.

#### 5 - 3 - 3 - 4 Brokers

In addition to direct sale and through appointed agents, the Company will seek to develop sales through brokers. As part of building its brokers' network, the Company will:

- sign more contracts with brokers in order to ensure a common understanding and avoid disputes in the future;
- make brokers responsible for collection of insurance premiums from clients of the Company acquired by them;
- ask new brokers to attend training sessions during first three months of their agreement with the Company;
- continuously inform brokers with the methodologies, standards and services of the Company;
- give brokers incentives to encourage them and motivate them to lure more work to the Company;
- discuss new products with selected brokers to gather their feedback from them prior to launching such products.

### 5 - 3 - 4 E-channels

During the coming period, the Company seeks to develop mechanisms for electronic sale via its website to offer a complete service regarding products that electronically can be made available for sale, taking into account the compliance with electronic transactions regulations issued by the Saudi Arabian Monetary Agency.

## 5 - 4 Investment strategies for subscribers

The Company seeks to utilize part of insurance operations revenues (policyholders) in a diversified portfolio commensurate with the nature of the Company's activity. It also intends to enter into investment areas consistent with bylaws and regulations regarding investment policies in insurance sector.

The following tables highlight the proposed investment plan for the years 2012G-2013G, and the projected returns:

Investment Portfolio Structure for Policyholders (%)					
Description	2012G	2013G	2014G	2015G	2016G
Short term portfolio investments	50%	50%	50%	50%	50%
Investment in bonds and long-term investments	35%	35%	35%	35%	35%
Investment in shares and other investment vehicles	15%	15%	15%	15%	15%
Total	100%	100%	100%	100%	100%

Source: the Company

Return on Investment (%)					
Description	2012G	2013G	2014G	2015G	2016G
Cash investments and short-term investments	2.50%	2.50%	2.50%	2.50%	2.50%
Bond and long-term investments	5.00%	5.00%	5.00%	5.00%	5.00%
Shares	6.00%	6.00%	6.00%	6.00%	6.00%
Properties	0.00%	0.00%	0.00%	0.00%	0.00%
Statutory Reserve	0.00%	0.00%	0.00%	0.00%	0.00%

Source: the Company

## **5 - 5 Insurance Portfolio of ACIG Bahrain**

The IPO Prospectus of the Company highlighted its plan to acquire the insurance portfolio of ACIG Bahrain. The Company intended to transfer the portfolio of ACIG Bahrain, and for this purpose it was necessary as per instructions by the Saudi Arabian Monetary Agency to prepare a report by an actuary expert regarding the portfolio to be transferred. Based on the recommendations of the actuary expert at that time, the actuarial deemed it was best not to transfer the portfolio, and to start forming a new portfolio for the Company due to the fact that the profits were not sufficient compared to the high risks, and therefore the portfolio has not been transferred at all.

## 6. Competitive Advantages

### 6 - 1 Competitive Advantages

#### 6 - 1 - 1 Ability to attract, promote and retain qualified human resources

The philosophy of Saudi ACIG is based on creating a culture of team work stimulation which is the motive for success. Saudi ACIG team is characterized by discipline, ability to collaborate among its members and a passion for success.

The combination of this philosophy alongside a business strategy that is based on highest standards of integrity, and to establish a culture based on the concepts of honesty, knowledge, and constructive dialogue, and dealing with staff on the basis of respect and equality, enabled Saudi ACIG to attract talent and experiences who served the Company for a long time. The Company's management has extensive experience in the insurance industry at a local and regional level and constantly seeking to develop and improve performance. Saudi ACIG believes that the Company's selective policy followed in attracting and hiring team members will enable it to proceed successfully.

#### 6 - 1 - 2 Shareholders Businesses

Business pattern practiced by the Founding Shareholders of Saudi ACIG Contributes significantly to promoting its name in the market as these shareholders are owners of or partners in multiple projects and businesses of huge assets that need different types of issuance to cover a variety of risks. It is anticipated that Saudi ACIG will receive priority in gaining insurance contracts to cover such projects and assets on competitive basis, taking into account that Founding Shareholders shall not be granted the right to vote on transactions that they have a direct interest in For its part, the Company, continuously and permanently reviews the insurance arrangements of its current Founding Shareholders and provides offers that fit their needs and requirements with respect to aspects of both coverage and prices. Saudi ACIG also urges and encourages such shareholders to provide recommendations and suggestions in their capacity as work partners. The presence of such Founding Shareholders will help increase the size of customer base, leading to an increase in profits.

#### 6 - 1 - 3 Management with deep experience

Saudi ACIG has a team of specialists with expertise in the field of insurance. These experiences will ensure ability to interact with the market changes and requirements. Saudi ACIG's strategy and culture reflect the vision to assume the best position in the cooperative insurance industry through commitment to providing the highest level of services. Saudi ACIG emphasizes the importance of its employees to have a sense of pride and belonging, which generates an incentive for excellence in productivity, so that the Company gains customer satisfaction and confidence.

#### 6 - 1 - 4 Innovative products and services

Saudi ACIG will develop innovative insurance products and services that meet the special needs of certain segments of customers in the market, which is expected to lead to reinforcing the position of Saudi ACIG and acquiring a reasonable base of customers.

##### 6 - 1 - 4 - 1 Future Products

The Technical Department Management plans to diversify the insurance portfolio by launching many insurance products, which are characterized by their profitability as a result of their lower prospects, including:

- A policy for professional errors of lawyers, accountants, and intellectual service providers: It includes coverage of losses incurred when providing advice in accordance with limits of coverage agreed upon in advance.
- A policy for the responsibility of managers and board directors: This policy is derived from professional errors policy, but it is independent due to the fact that the nature of the insured, represent senior management of the companies according to limits of coverage to be agreed upon in advance.
- A policy for bank financial crimes: This policy is comprehensive and extends to include various coverage including losses resulting from dishonesty, fraud, forgery and tampering with the accounts for bank employees.
- A home insurance policy: This policy is derived from fire policy based on the fact that the fire coverage includes building and contents, addition to possible extension of insurance coverage to include civil liability towards third parties and towards servant team.
- Commercial shops policy: This policy is also derived from a fire policy with the possibility of adding other coverage matching with the nature of the activity, such as inventory corruption, goods land transports, theft and the transfer of cash.
- Group Takaful Policy: this policy is derived from the Personal Accident Insurance and its coverage extends to include natural death and because of accident, temporary disability and total disability.
- Commercial ship hull policy: It is one of the most important types of marine insurance, which includes necessary coverage for local fleets of merchant ships.



- Private yachts hull Policy: it is a type of marine insurance, which covers the civil liability in addition to yachts hulls. This coverage is available to all owners of private yachts.
- Aircraft Hull Policy: It is one of the most demanded type of insurance in the market and includes the provision of insurance coverage for aircrafts, and crew responsibility, in addition to aircraft hull itself.
- Aviation Liability Policy: It includes coverage of civil liability in the airfield spaces, and the responsibility of airport operators and contractors working in the area of airports.

During the year, these products are assessed in terms of Company profitability. "ACIG" is distinguished by unique quality of coverage, through development of these products and arrange reinsurance support for these products with high profile reinsurers.

## 6 - 2 Basic Company Activities

### 6 - 2 - 1 Motor Insurance

Motor insurance provides protection against losses resulting from traffic accidents. The minimum insurance required as per the regulation is insurance against third parties to protect third party from resulting financial losses, damages, or injuries resulting from motor vehicles. In general, coverage against loss or damage to a driver's vehicle is optional. The client can be protected by several types of coverage, depending on the type that the insured applies for. Insurance policies usually cover the risks related to death or physical injury to individuals and repair of vehicles and spare parts.

Saudi ACIG will continue to promote these services as long as such promotional campaigns derive premiums and the opportunity to promote ACIG name in the market throughout the Kingdom, either in major cities or other areas.

### 6 - 2 - 2 Health Insurance

Health insurance covers the costs of hospitals, medical treatment, in addition to management of health issues for individuals and institutions. Health insurance is usually in the form of a health scheme provided by the institutions to their employees and their families. The insurance policy covers various medical services.

The demand for health insurance is the largest in the insurance market in Saudi Arabia because of the mandatory cooperative health insurance, the implementation of which is supervised by Cooperative Health Insurance Council, the regulator of health insurance in the Kingdom of Saudi Arabia. In the first phase, companies and institutions employing (500) employees or more of expatriates, should buy health insurance for their employees and their families and dependents.

Saudi ACIG plans to continue the sale of this product strongly, taking into account the importance of monitoring claims carefully through application of effective management tools.

### 6 - 2 - 3 Main parties that the Company deals with

The Company deals with "Najem" Company in management of claims of vehicle insurance and "Waseel" Company in the management of health insurance claims. In addition, Saudi ACIG contracts with the insurance agents and brokers to reach full geographic coverage.

Current shareholders adhere to the following in respect of transactions with related parties:

- The Company and local shareholders comply with provisions of Articles 69 and 70 of the Companies Regulations.
- All contracts with related parties are subject to voting in the Ordinary General Assembly
- Current shareholders declare that they will not compete with the Company's business and deal with related parties on a competitive basis

## 6 - 2 - 4 Najem

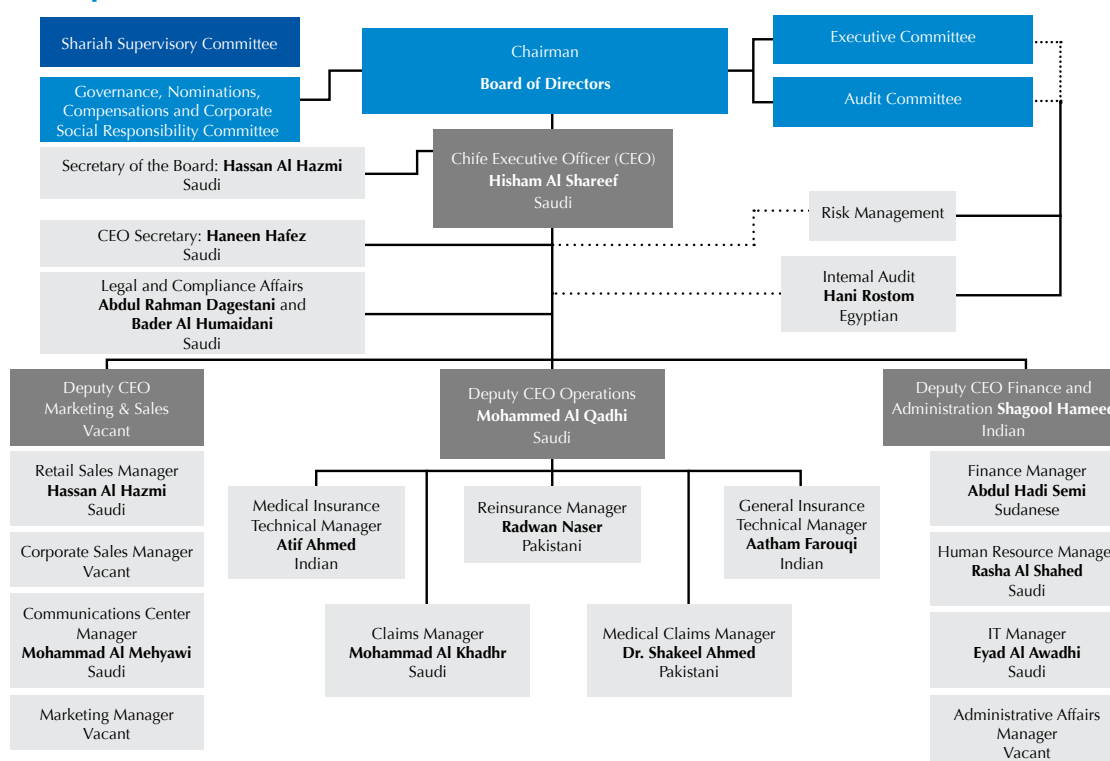
“Najem” is a network project for management and settlement of claims arising from accidents. It was established by a group of insurance companies operating in the Kingdom including Saudi ACIG. Najem services will include provision of assessment of responsibilities resulting from car accidents and assess the losses and damages in the car through a specialized service centers, in addition to settlement of accounts between the insurance companies. It provides insurance companies and government agencies with statistical data related to traffic accidents. Saudi ACIG owns about 7.69% of Najem, and it will deal with Najem under a service contract, as is the case with other affiliates. The following table shows the number of Najem branches by region:

Region	Number of Branches
Central	2
Eastern	4
Western	4
Northern	5
Southern	4
Total	19

Source: the Company

## 7. Corporate Structure and Corporate Governance

### 7 - 1 Corporate Structure



Source: the Company.

### 7 - 2 Board of Directors

M	Name	Position	Nationality	Age	Appointment Date	No. of Shares	Representation	Role
1	Khalid Bin Hamad Al-Bassam	Chairman	Saudi	50	28/4/2010G	1,000		Independent/ Non-Executive
2	Mohammed Hani Bin Abdul-Qader Al Bakri	Member	Saudi	54	28/4/2010G	0	Representing ACIG - Bahrain	Non-Executive
3	Thamer Bin Abdullah Rayes	Member	Saudi	33	28/4/2010G	1,025		Non-Executive
4	Hussam Bin Talal Al Gazzawi	Member	Saudi	44	28/4/2010G	1,000		Non-Executive
5	Suleiman Bin Abdullah Al Khuraiji	Member	Saudi	62	28/4/2010G	11,000		Independent/ Non-Executive
6	Khamis Bin Salim Al Qazah	Member	Saudi	50	28/4/2010G	0	Representing Islamic Development Bank	Non-Executive
7	Abdul Latif Bin Mohammed Al-Sheikh	Member	Saudi	39	28/4/2010G	1,000		Independent/ Non-Executive
8	Majid Bin Khaled Al Mu-zairae	Member	Saudi	40	31/5/2011G	1,000		Independent/ Non-Executive
9	Ali Bin Hassan Al-Jasser Al-Shehri	Member	Saudi	36	31/5/2011G	15,405		Independent/ Non-Executive
10	Hisham Bin Mohammed Al-Shareef	Member	Saudi	42	11/6/2012G	1,000		Executive

Source: the Company

Note: In accordance with Article 38 (1) of the implementing regulations of the Cooperative Insurance Companies Control Law CICCL, None of the members of the Board of Directors owns more than 5% of the Company Shares.

Note: Shares owned by members of the Board (1,000 shares) represent qualifying shares of the Board membership according to Article 68 of the Companies Regulations.

The following is a brief summary of each member of the Board of Directors:

7 - 2 - 1    Khalid Hamad Abdullah Al-Bassam (Saudi - 50 years)

### Chairman of the Board

Khalid Al Bassam holds a Bachelor's Degree in Administrative Science from King Saud University in Saudi Arabia in 1987G. Mr. Al Bassam has occupied several positions at Banque Saudi Fransi since 1991G, and served as Executive Vice President in 2011G. Also, he served as Director of Operations, at Saudi Hollandi Bank from 1988G to 1991G.

7 - 2 - 2    Mohamed Hani Abdel Qader Al Bakri (Saudi - 54 years)

### Board Member

Mr. Al Bakri holds a Bachelor's Degree in Nuclear Engineering with honors from King Abdul Aziz University in Jeddah, Saudi Arabia in 1982G, as well as a Diploma in Nuclear Engineering from the Pakistan's Nuclear Commission in 1981G. Mr. Al Bakri, held the position of Vice President for Finance and Investment in Abdel-Qader Al Bakri & Sons Holding Co. since 1983G. He is a member of the Board of Directors of Abdel Qader Al Bakri & Sons Holding Co. and its subsidiaries and the Bahraini Allied Cooperative Insurance Group and North of England Protection and Indemnity Club in the UK and Sierra Investment Bank in Bahrain. He was a lecturer at King Abdul Aziz University, Department of Engineering in 1982G, and he has 20 years of experience in technical supervision and financial management.

7 - 2 - 3    Thamer Abdullah Mohammed Ali Al Rayes (Saudi - 33 years)

### Board Member

Mr. Thamer holds a Bachelor's Degree in Electrical Engineering from King Saud University in 2003G, and Masters in Business Administration and Finance from City-London University in the UK in 2005G. He has been working as an executive director of the Abdullah Al-Rayes and Sons Investment Co., Ltd. since 2007G.

7 - 2 - 4    Hossam Amin Ghazzawi (Saudi - 44 years)

### Board Member

Mr. Ghazzawi holds a BA in law from King Abdul Aziz University in 1992G, a diploma in international law from University of Alexandria in Egypt in 1998G, a Diploma in Intellectual Property from the Franklin Pierce Center, United States of America in 1998G, and Master Degree in Business Law from the University of Robert Gordon - Britain in 2006G. He is a member of the Board of Directors of Ghazzawi Development Co., Ltd. and Bilal Company Ltd. since 1994G. Mr. Ghazzawi holds the post of managing partner of Ghazawi Law Firm since 1994G. He has worked in law since 1992G and worked in the National Assembly of Intellectual Property Rights from 2006G to 2009G. He is a member of the National Committee of Lawyers in the Chamber of Commerce in the Eastern Province since 2000G and the National Committee of Lawyers in the Council of Chambers of Commerce in Riyadh from 2000G to 2010G. He is a member of Young Presidents and Authorized Arbitrator at GCC since 1995G, a member of the Lawyers Association of America since 1992G, a member of Arbitrators Licensing Center in London since 2000G, a member of the International Lawyers Association in London since 1992G and a member of the American Arbitration Association since 1997G.

7 - 2 - 5    Suleiman bin Abdullah Khuraiji (Saudi - 62 years)

### Board Member

Mr. Khuraiji holds a bachelor's degree in architecture from the University of Oklahoma, USA in 1975G. He also attended an advanced course in project management at Stanford University in the United States of America in 1991G. He is the Chief Executive Officer for Suleiman Khuraiji Consultant Office from 1977G till now. He was a former member of Shura Council since 1977G until the end of the Council's tenure in 1980G. He is a member in a number of associations and professional bodies such as the Saudi Association for Urban Science, Saudi Engineers Society, American Architects Association, British Architects Association, Philippines Architectural Union, Egyptian Architects Engineers Association since 1980G. He is also the Chairman of the Board of Directors of Albanian United Bank since 2001G, Amen Engineering Company in Singapore, Malaysia and Japan since 1996G.

7 - 2 - 6 Khamis Salim Hassan Algazzah (Tunisian - 50 years)

#### Board Member

Mr. Algazzah has been nominated by the Islamic Development Bank, to Saudi ACIG Board of Directors. He holds BA in Economics from the University of Sorbonne, France in 1984G, Professorship certificate in Economics from the University of Tunis in 1986G, and Diploma in International Trade Law Studies from the University of Tunis in 1988G. He worked for a period of twelve years as IPO Manager in the Islamic Corporation for Investment Insurance and Export Credit emanating from the Islamic Development Bank since 1995G, and Acting Director General at the same corporation for four years since 2004G.

7 - 2 - 7 Dr. Abdul Latif Mohammed Al-Sheikh (Saudi - 39 years)

#### Board Member

Dr. Al-Sheikh holds a PHD in Corporate Administration from the University of Surrey in 2010G, MA from the University of Westminster in 2004G and a BA in Public Relations from King Saud University in 1999G. He is the Head of Foreign Affairs at the British Aerospace Company since 2001G.

7 - 2 - 8 Majid Khaled Saleh Almazairei (Saudi - 40 years)

#### Board Member

Mr. Almaziraei obtained a Bachelor Degree in Business Administration from King Fahd University in 1998G and a certificate of Diploma in Management from Lancaster, Britain in 2002G. He received certificates of administrative development from Marc Lascola - Britain in 2005G, employees relations in the British Aerospace Company in Saudi Arabia in 2006G, and British labor law from the University of CIBD in Britain in 2006G. Also, he earned a certificate in psychology and job evaluation from SHL Institute in Britain in 2002G. He worked as a Supervisor of Human Resources in the British Aerospace Company from 2007G to 2008G, then Human Resources Manager from 2008G to 2009G, Director of Human Resources from 2009G to 2010G and finally Director of Human Resources at the same Company from 2010G till now.

7 - 2 - 9 Ali Hassan Al-Jasser Al-Shehri (Saudi - 36 years)

#### Board Member

Mr. Al-Shehri holds a high school certificate / Scientific branch in 1995G, and he is the General Manager of Arab Methal Information Technology Co. in 2010G and General Manager of Methal Middle East Trading Co. in 2010G. He worked from 2007G to 2008G as director of operations in Next Generation Networking Solutions Co, and from 2008G to 2010G as director of operation in Rawabi Communications and Software Co.

7 - 2 - 10 Hisham Mohamed Al-Sharif (Saudi - 42 years)

#### Board Member

Mr. Al-Sharif has a long experience in the insurance industry in Saudi Arabia where he worked for more than sixteen years in Tawuniyah Cooperative Insurance Company. He worked first as the Project Manager of Online Services (2001G - 2002G), then Manager of Customer Services Center (2002G- 2004G) and Manager of Motor Compensation Department (2004G - 2006G), and finally he became Executive Vice President of the Motor Sector (2006G- 2011G).

Mr. Al-Sharif received several courses in risk management and strategic management. He holds a high school certificate.

7 - 2 - 11 Hassan Awad Al-Hazmi (Saudi- 37 years)

#### Secretary of the Board of Directors

Mr. Al Hazmi holds a bachelor's degree in electrical engineering from King Abdul Aziz University in 2002G, and worked in Al Gheremil Group as an agent for Tawuniyah Cooperative Insurance Co. as Regional Manager from 2002G to 2006G. Then he worked for Holoul International Reinsurance Company as Marketing and Sales Manager from 2006G to 2009G, and up to now. He is working currently with ACIG as Manager of Consumer Insurance.

### 7 - 3 Board of Directors' Committees

#### 7 - 3 - 1 Executive Committee

The Board of Directors forms Executive Committee of not less than three members and not more than five members who select one of them as Chairman of the Committee to chair the meetings of the committee. In his absence, the

Committee will select an interim chairman from among its present members. The member of the Executive Committee may delegate another member of voting right for only three meetings. The duration of the membership of the Executive Committee is the same duration of membership in the Board. The Board Council fills the position getting vacant in the Executive Committee.

The General Assembly of the Company, based on a proposal from the Board of Directors, issues rules of selection of Executive Committee members, and duration of their membership and the work method of the Committee.

Taking into account any instructions laid down by the Saudi Arabian Monetary Agency (SAMA), or established by the Board of Directors, Executive Committee shall assume all authorities decided by SAMA or the Board, The Executive Committee assists the Managing Director or the General Manager within the limits of powers granted to them.

The Executive Committee's meeting will not be valid unless attended by at least two members, either on their own or by delegation, provided that attendees by themselves shall not be less than two. The resolutions of the Executive Committee are issued unanimously and in case of dispute, they are issued by the majority votes of three-quarters of represented attendees.

The Executive Committee is responsible for providing assistance to the Managing Director or the General Manager in managing the affairs of the Company and it shall be authorized by all the powers of the Board of Directors that can be delegated to such Committee in accordance with the Company's Articles of Association and prevailing regulations, provided that the exercise of the powers delegated to the Executive Committee is required to comply with any rules and regulations that may be imposed upon it by the Board of Directors.

The members of the Committee are five as follows (CVs are included in the profile of the Board members)

1. Mr. Khalid Hamad Al-Bassam- Chairman of the Committee
2. Eng. Mohammed Hani Abdul Qader Bakri - Member
3. Eng. Thamer Abdullah Al Rayes - Member
4. Mr. Hussam Talal Ghazawi - Member
5. Dr. Abdullatif Mohammed Al Al-Sheikh – Member

### 7 - 3 - 2 Audit Committee

The Head of the Audit Committee and its members are assigned by the Board. At least one member of the Audit Committee shall have specific expertise in accounting and financial matters.

The General Assembly of the Company, based on a proposal from the Board of Directors, issues rules of selection of Audit Committee members, and duration of their membership and the work method of the Committee.

The system of the Audit Committee is reviewed annually by the Board of Directors following a recommendation from the Audit Committee. The Audit Committee, among other things, is responsible for the following:

- To supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it.
- To review the internal audit reports and pursue the implementation of the corrective measures in respect of the comments included in them.
- To recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors; upon any such recommendation, regard must be made to their independence.
- To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- To review together with the external auditor the audit plan and make any comments thereon.
- To review the external auditor's comments on the financial statements and follow up the actions taken about them.
- To review the interim and annual financial statements prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.
- To review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.

Audi Committee consists of 3 members as follows:

1. Engineer Suleiman Abdullah Khuraiji - Chairman (his CV is included in the profile of Board members).
2. Mr. Nabil Nassif – Vice Chairman of the Committee.
3. Dr. Jousef Basudan - Member of the Committee.

#### Mr. Nabil Abdel-Elah Nassif- (Saudi - 62 years)

He obtained a Masters in Business Administration from King Abdulaziz University in 2009G, and working to obtain PhD. He worked as a consultant in the Islamic Development Bank from 2001G to 2009G, and he works now as an independent financial expert.

### Mr. Yusuf Abdullah Basudan (Saudi -60 years)

He received a bachelor's degree in accounting from King Abdulaziz University in 1977G and received a master's degree in accounting from the Paul State University, USA in 1982G and earned a Ph.D. in accounting from the University of South Highton, England in 1994G. He worked as a Deputy in the Deanship of Student Affairs at King Abdul Aziz University in Jeddah from 2004G to 2007G and he was also working as financial consultant for the Chamber of Commerce and Industry in Jeddah from 2006G to 2007G. He worked in the General Authority of Civil Aviation in his capacity as Vice President for Finance and Administration from 2007G to 2011G, and now he is working as member of the Teaching Staff of King Abdulaziz University.

## 7 - 3 - 3 Governance, Nominations, Remuneration and Social Responsibility Committee

This Committee consists of 3 members as follows: (CVs are included in the profile of Board members).

Member	Position	Date of appointment
1. Mr. Khalid Hamad Al-Bassam	Chairman of the Committee	He was appointed as Chairman of the Committee on 13/12/2010G.
2. Dr. Abdul Latif Mohammad Al Al-Sheikh	Member	He was appointed as a member in the new composition of the committee on 28/2/2011G
3. Mr. Ali Hassan Al-Jasser Al-Shehri	Member	He was appointed as a member in the new composition of the committee on 28/2/2011G

Source: the Company

The committee works in accordance with the system approved by the Board of Directors. The General Assembly of the Company, based on a proposal from the Board of Directors, issues rules of selection of the committee members, and duration of their membership and the method of their work.

The statute of this committee is annually reviewed by the Board of Directors based on the recommendation of the said committee. Responsibilities of the Governance, Nominations, Compensation and Social Responsibility Committee include the following:

- Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting ethics or honesty is nominated for such membership.
- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board.
- Review the structure of the Board of Directors and recommend changes.
- Determine the points of strength and weakness in the Board.
- Directors and recommend remedies that are compatible with the company's interest.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
- Draw clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance shall be followed.

## 7 - 3 - 4 Shariah Committee

The Company has a Shariah Supervisory Committee composed of 3 members of Shariah scholars who have experienced and awareness of Shariah compliant financial transactions and affairs.

The Shariah Committee is composed of:

Members of Shariah Committee	Position	Date of Appointment
1. Sheikh Abdullah bin Beah	Chairman	28/4/2010G
2. Dr. Hassan Mohammed Hussein Filimban	Member	28/4/2010G
3. Dr. Hani Ahmed Abdul Shakoore	Member	28/4/2010G

Source: the Company



Main tasks of Shariah Committee:

- Provide advice on issues referred to it from the Company
- Provide religious opinion on any other matters as applicable.
- Approve all products, investment policies and funding contracts

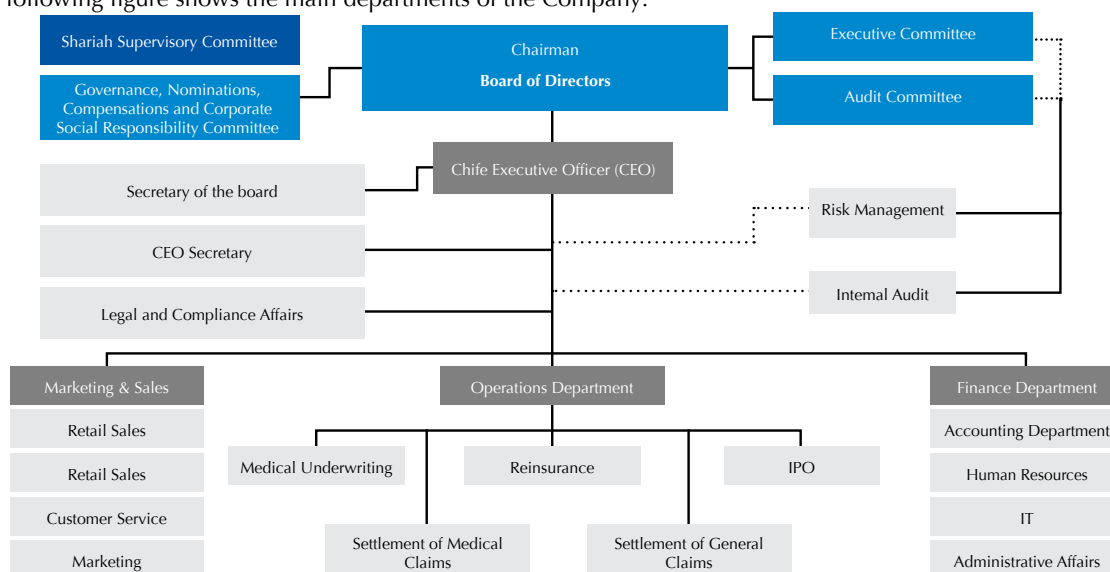
## 7 - 4 Compliance with Corporate Governance Regulations

The Company will continue to use all the means for development of highly qualified staff and state of art systems to ensure efficient operations and quick circulation of information at all levels. Since the Company has formulated complete and comprehensive plan for description of tasks and functions, including a clear definition of responsibilities among each department/director/unit or Board of Directors and all committees. The Company is keen to fully comply with all regulations and laws of the Kingdom of Saudi Arabia as a stock Company listed in the capital market. It complies with corporate governance issued by the Capital Market Authority in the Kingdom on 10/21/1427H (corresponding to 12/11/2006G) as amended by the resolution of the Council of the Capital Market Authority No. 10/1/2010G dated 30/3/1431H (corresponding to 16/3/2010G) to ensure the necessary protection of shareholders rights. Therefore, the Company adopts the best practices and methods of governance through the following:

- Provide necessary internal controls in line with the corporate governance regulations issued by the Capital Market Authority.
- Provide necessary and accurate information to enable shareholders to exercise their rights during the General Assemblies of Shareholders.
- Comply with the non-conflict of the interests of board members, shareholders and related parties.
- Follow the voting method for board members in the General Assembly and comply with clear and specific policies, standards and procedures for membership in the Board of Directors.
- Compliance of the financial department of the adopted accounting standards.

## 7 - 5 Company's Main Departments

The following figure shows the main departments of the Company:



Source: the Company

### 7 - 5 - 1 Operations Department

The Operations Department manages insurance underwriting, both general and medical, by preparing policies and procedures for underwriting, as well as checking the insurance applications to verify the degree of risk associated with the application and determine whether to be accepted or rejected. It also studies potential claims, reviews Company records to verify compliance with approved policies and procedures of subscription, and manages re-insurance and the settlement of claims, whether general or medical.



### 7 - 5 - 2 Insurance Underwriting Department

Insurance underwriting process includes consideration of risk exposure and determining the premium that will cover these risks. Based on the great diversification in data, the insurers anticipate possible occurrence of claim and coverage, where prices are determined accordingly. The experts of IPO in Saudi ACIG will use actuarial science to determine the magnitude of risk they are ready to cover. Data is fairly and accurately analyzed to predict the rate of future claims based on the possibility of risk occurrence. And actuarial science uses statistics and probability to analyze the risks related to the extent of coverage of these costs. These scientific principles are used to determine the possibility of exposure to the overall insured risks.

### 7 - 5 - 3 Reinsurance Department

The insurance companies usually contract with reinsurance companies as part of its responsibilities to manage a group of risk for the benefit of policyholders and investors. The primary use of reinsurance is to allow the Company cover risks greater than its size, and protect itself against large losses. This allows the Company to provide the limits of coverage and protection for policyholders more than what the Company's capital could allow.

Saudi ACIG shares risks with other insurance companies to reduce losses resulting from payment of compensation for claims incurred. Saudi ACIG expert team analyzes the risks and profits, and visits companies to assess the financial condition, credit risks and activities. The reinsurance agreements are not made with one reinsurance Company, but rather with more than one reinsurer in order to distribute the risks.

### 7 - 5 - 4 Claims Settlement Department

Saudi ACIG continues to search for ways to improve the process of claims management and provide valuable services to its customers. In the medical claims section, a third party assumes the management of claims to improve customer service, enhance productivity, efficiency and performance. Medical claims are usually small in value with more in number, compared to any other type of claims, which makes utilization of a third party to manage them an effective option, since it reviews, verifies and approves the medical claims.

As for other types of insurance claims, Saudi ACIG uses international and local consulting offices to assess losses before compensation in cases that require that. Otherwise, the claims department within the ACIG will take the necessary steps to compensate for losses as per the signed insurance policy.

### 7 - 5 - 5 Marketing and Sales Department

Marketing Department at Saudi ACIG fully understands the services, customers, competition, market, and trends that affect the desires of these customers and their decisions. This is utilized for development of marketing plans to reach specific market segments and provide these services to future clients. Marketing Section supports marketing efforts from the beginning of the contract until the termination of the transaction and maintains a successful relationship with customers.

Saudi ACIG is linked with network of brokers, agents and marketing representatives where they strategically focus to attract certain categories of customers. Saudi ACIG expects to reap in 2012G, 50% of its business through brokers, 35% through exclusive agents, and 15% through direct marketing.

In order to increase its market share and occupy a leading position in the insurance market, Saudi ACIG is planning to expand its operations to both the eastern and central regions, by increasing the number of its offices number of its qualified staff in existing offices. Saudi ACIG will increase its geographical presence through brokers, agents and marketing representatives throughout the Kingdom.

Finally, the economic cities that have been recently developed, represent a great opportunity for Saudi ACIG, where these cities will create a need for many types of insurance such as health insurance, property and engineering insurance and casualties insurance which will form a great value for insurance premiums. Saudi ACIG believes in its ability to take advantage of the expected growth in the insurance market and will focus on building its name and increase its market share in the near future.

### 7 - 5 - 6 Customer Service Department

Saudi ACIG believes that there is a need to develop services provided to its clients by the accurate design and implementation of its activities, which include human resources, technology, and operations. It also has a staff of values, standards and good conduct emerged from the Company's values which are based on recruitment and training of qualified staff in their work to provide best service to customers, and to train them continuously. The customer service center ensures that this strategy is followed so that customers will feel as partners in long-term relationship to keep up their dealing with Saudi ACIG.

### 7 - 5 - 7 Finance Department

It is responsible for planning, directing and coordinating matters of accounting, investment, banking, insurance and other financial activities. It prepares financial statements of the Company, according to the applicable standards, and is also responsible for the preparation of estimated budgets and provide periodic reports on implementation to the management. It submits detailed financial and accounting reports that will help senior management and various departments to assess performance and take corrective actions, if necessary. Finance Department also develops control procedures on financial activities that preserve assets and properties of the Company.

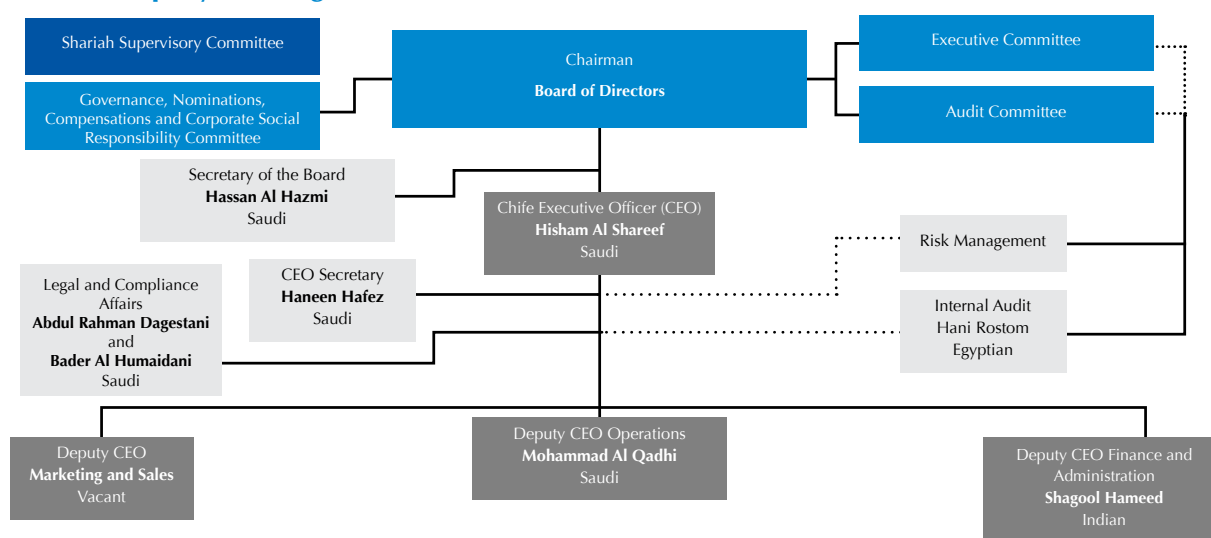
### 7 - 5 - 8 Human Resources Department

Human Resources Department is specialized in drafting policies related to personnel, fulfill the Company requirements of different competencies, develop plans to ensure continuation of these competencies, coordinate the annual performance, and develop internal and external training programs based on the needs of various sections and departments., Human Resources Department also develops training programs for qualification of employees to be familiar with the highest professional standards.

### 7 - 5 - 9 Information Technology Department

Information Technology Department serves all Saudi ACIG sections through a series of services, which include development of computer systems, training, administration of contracts related to information technology, and technical support. This section provides technical climate that enables Saudi ACIG employees obtain quickly the necessary information by using most effective and least expensive equipment and systems which eventually contribute to reducing the time required for the insurance underwriting and claims processing.

## 7 - 6 Company's Management



Source: the Company

Following are the biographies of the Company's Senior Executives:

### 7 - 6 - 1 Hisham Al-Sharif (Saudi)

#### Chief Executive Officer

Mr. Hisham Mohammed Al-Sharif enjoys extensive experience in the insurance industry in Saudi Arabia where he worked for more than sixteen years in Tawuniya for Insurance Co. where he was promoted from Electronic Services Project Manager (2001G- 2002G), then Manager of Customer Service Center (2002G-2004G) and Director of Motor Compensation Department (2004G -2006G), until he became Executive Vice President for Motor sector (2006G – 2011G)

Mr. Hisham El Sharif attended a number of courses in risk management, strategic management and educational qualification of high school.

### 7 - 6 - 2 Mohammed Abdullah Al-Qadhi (Saudi)

#### Executive Vice President of Operations

He holds a bachelor's degree in Marketing from King Saud University in 1992G, in addition to insurance practice certificate COP in 1996G, and Diploma in insurance practice PIC in 2004G. He worked for Tawuniya Insurance Co.

for 18 years, where he held a number of positions, most recently as Director of Regional Management for the Central Region in 2011G, where he helped to increase sales through the formation of multi-channel sales team. Before that he worked as Director of Sales Channels and prior to that he worked as Director of General Underwriting Insurance.

Mr. Mohammed has a long experience in all types of insurance underwriting and experience in the Saudi insurance market in general. He has sufficient experience and expertise to diversify his insurance portfolio by introducing new products that fulfill markets needs and are characterized by profitability. Also, he has experience in the composition of sales channels and formation of a unified work team that combines underwriting and sales, due to his knowledge of both sides.

#### 7 - 6 - 3 Shagool Hamid (Indian)

##### Executive Vice President for Finance and Administration

Mr. Hamid obtained a bachelor's degree in Statistics from the University of Barazdsen, India, in 1992G. He has worked as an auditor at Deloitte & Touche from 1997G to 1999G, and worked as regional accounts controller at ALICO Co. from 1999G to 2005G, then he worked in SABB Takaful as a financial manager from 2005G to 2007G. He worked in Maher Al-Saeed Group Company from 2007G to 2008G, and since 2008G, he has been working with ACIG as Executive Vice President for Finance and Administration.

#### 7 - 6 - 4 Hani Rostom (Egyptian)

##### Internal Auditor and a member of the Audit Committee

Mr. Hani Rostom holds a Bachelor of Commerce, Accounting, from Ain Shams University in Egypt in 1991G, and he is a member of the Egyptian Society of Certified Public Accountants and a member of the Egyptian Society of Taxation. He worked as senior auditor in Ernst & Young, Jeddah for three years from 2003G to 2006G. He also worked with Price Waterhouse Coopers from 1993G till 2003G, where he began as training supervisor for the Assistant Director. Mr. Hani Rostom has experience in issuing financial statements, and review and audit transactions, provide consulting and accounting services to companies with regard to the standards and follow-up of emerging issues, laws, and control of accounting courses.

The Company has signed employment contracts with senior staff working with the Company as follows:

##### **a. Hisham Mohammed Al-Sharif**

Job Title: Chief Executive Officer of the Company.

Contract start date: 19/06/2011G.

Contract Term: 3 calendar years.

##### **b. Mohammed Abdullah Al-Qadhi**

Job Title: Executive Vice President of Operations.

Contract start date: 01/01/2012G.

Contract Term: one calendar year.

##### **c. Shagool Hamid Sharif**

Job Title: Executive Vice President for Finance and Investment.

Contract start date: 13/12/2008G.

Contract Term: one calendar year.

Total salaries and remunerations as a lump sum for the top three executives amount to (SAR 2,835,000) in 2012G, and (SAR 1,296,000) in 2011G, and (SAR 567,000) in 2010G.

#### 7 - 7 Declaration of the Board members and senior executives:

The Directors, Chief Executive Officer, Chief Financial Officer and Company's Secretary declare that:

- They have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- They do not themselves, nor do any relatives or affiliates, have direct or indirect interests in the shares of the Company or its securities upon submission of this prospectus.
- They do not themselves, nor do any relatives or affiliates, have any material interest in any written or verbal contract or arrangement in effect at the time of development of this prospectus or contemplated in respect of the Company's business.
- There is no intention to make any substantial change to the nature of the activity.
- The Company's constitutional documents and governing regulations do not grant any power enabling a Director, CEO or CFO to vote on a contract or proposal in which they or any of their relatives have a personal interest, or enabling them to vote remuneration to themselves or allowing their relatives to borrow from the Company.

- There is no business or any assets outside the Kingdom of Saudi Arabia.
- The Company has sufficient working capital for the twelve month-period immediately following the date of issue of this Prospectus.
- There is no interruption in the Company's business that may affect or have a significant impact on its financial situation in the past twelve months.
- The Company has not given any commissions, discounts, brokerage fees, or any other non-cash compensation by the issuer during the three years immediately preceding the date of the share listing application in relation to issue or offer any securities to Directors, Senior Executives, Proposed Directors, Promoters or Experts.
- There has been no material adverse change in financial and commercial position of the issuer during the three years immediately preceding the date of listing application, in addition to the period covered by the report of the chartered accountant until adoption of the prospectus.
- Some board members listed below own direct or indirect interests in Saudi ACIG (as of 2 July 2012G), represented in the ownership of Company shares or shares in companies owning shares in Saudi ACIG. None of the other directors, executive officers or board secretary or any of their relatives has other interests as of the date of this prospectus.

S/N	Name	Position	Nationality	Direct Ownership	Indirect Ownership	Direct and Indirect Ownership
1	Khalid Bin Hamad Al-Bassam	Chairman	Saudi	1,000	0	1,000
2	Mohammed Hani Bin Abdul-Qader Al Bakri	Member	Saudi	0	36,000	36,000
3	Thamer Bin Abdullah Rayes	Member	Saudi	1,025	0	1,025
4	Hussam Bin Talal Al Gazzawi	Member	Saudi	1,000	150,000	151,000
5	Suleiman Bin Abdullah Al Khuraiji	Member	Saudi	11,000	0	11,000
6	Khamis Bin Salim Al Qazah	Member	Saudi	0	0	0
7	Abdul Latif Bin Mohammed Al-Sheikh	Member	Saudi	1,000	0	1,000
8	Majid Bin Khaled Al Muzairae	Member	Saudi	1,000	0	1,000
9	Ali Bin Hassan Al-Jasser Al- Shehri	Member	Saudi	15,405	0	15,405
10	Hisham Bin Mohammed Al-Shareef	Member	Saudi	1,000	0	1,000

Source: the Company.

## 7 - 8 Contracts, Remunerations and Compensations of the Board of Directors and Senior Management

Remuneration of Board members is proposed by the Remuneration Committee in line with the Company's bylaws, and is submitted to Board of Directors to be approved by the Ordinary General Assembly and in accordance with the resolutions and official instructions issued in this regard within the context of Company regulations, insurance regulations and bylaws, and their supplementing laws and regulations. As per the Company's bylaw, the chairman of the board shall be paid (SR 180,000) one hundred and eighty thousand Riyals, and each member of the board of directors shall be paid (SR 120,000) one hundred and twenty thousand riyals. Also, the chairman and each members of the Board shall be paid (SR 3,000) three thousand Riyals for attending each Board meeting and a sum of (SR 1,500) one thousand for attending each meeting of the Executive Committee. The Company shall also pay the Chairman and members of the Board of Directors for expenses they incur to attend meetings of the Board or the Executive Committees Bonuses were granted to members of senior management for a total amount of SAR 390,000 Riyals in 2009G, 2010G and 2011G. No bonuses were granted to members of the Board during the period from 2009G to 2011G.

## 7 - 9 Internal Control and Audit

There is a separate Department of Internal Audit chaired by a specialist in internal auditing, and another one for Regulatory Control responsible for ensuring the application of regulations and standards set by the organizer of the Company's business. Both departments submit their reports to the Audit Committee, and the Regulatory Control Department provides SAMA with information required from the Company.

## 7 - 10 Staff and Saudization Policy

ACIG employs 158 employees, nearly 56% of them are Saudi as of 31/03/2012G. The Company is committed to develop its human resources, attract and employ qualified Saudi youth in the line with the requirements of the Labor Regulations and the Cooperative Insurance Companies Law and its implementing regulations. The Company expects that the percentage of Saudization will reach 60% over the next five years. There was no shares program for the staff prior to submission of the application for admission and listing or other arrangements for the staff to have shares in the issuer capital. The Company obtained the highest level of Nitaqat program – of excellent (green) code.

Department	As at 31/12/2012G			As at 31/12/2011G			As at 31/12/2010G			As at 31/12/2009G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Executive Management	4	1	5	3	2	5	3	2	5	3	3	6
Finance	2	8	10	3	8	11	3	8	11	2	9	11
Internal Audit	0	1	1	0	1	1	0	2	2	0	1	1
Human Resources	2	1	3	2	1	3	2	1	3	3	1	4
Underwriting and Claims	24	29	53	17	30	47	23	21	44	25	30	55
Legal and Compliance	2	1	3	3	1	4	1	1	2	1	1	2
Administrative Affairs	7	9	16	6	8	14	5	11	16	10	7	17
Marketing and Sales	46	15	61	40	10	50	37	6	43	28	9	37
Information Technology	1	5	6	1	6	7	1	6	7	1	7	8
Total	88	70	158	75	67	142	75	58	133	73	68	141
Percentage	55.70%	44.30%	100.00%	52.80%	47.20%	100.00%	56.40%	43.60%	100.00%	51.80%	48.20%	100.00%

Source: the Company

## 8. Management Discussion and Analysis of the Financial Position and Results of Operations

### 8 - 1 Introduction

Annual financial statements ending December 31, 2011G, which was approved by the Board of Directors on 26 Jumada I 1433H (corresponding to April 18, 2012G), on which the joint auditor's report was issued and signed by Ibrahim Abboud Ba'Ashen, License No. 382 from KPMG Fozan & Al-Sadhan and Waheed Salah Qazzaz, License No. 247 for Aldar Audit Abdullah Al-Basri & Co., both are still chartered accountants since 2008G.

The report was signed on 26 Jumada I, 1433H, corresponding to the April 18, 2012G.

*The Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward looking statements that involve risks and uncertainties. Actual results of the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors discussed under the "Risk Factors" section of this prospectus.*

### 8 - 2 Director's Declaration for Financial Information

The Directors declare that the financial information presented in the Prospectus are extracted without material change from the Audited Financial Statements and that such statements have been prepared in accordance with international accounting standards for financial statements.

Except for accumulated losses described in this prospectus, the Board of Directors further declares that there has been no material adverse change in the financial or trading position of the Company for the financial period from July 22, 2007G to December 31, 2008G and the fiscal years ended December 31, 2009G-2010G-2011G up to and including the date of the Prospectus.

#### Future Trends:

Despite the accumulated losses incurred by the company since its inception in July 2007G because of low sales compared to the expenses incurred, ACIG witnessed escalating growth in sales during the past three years in the scope of its existing products. The Company intends to exploit the opportunities available in the market to enhance the results of its operations, increase its market share and cover losses. The Company depends on increasing its capital to be able to develop its future operations, increase the volume of its sales and realize revenues and profits for its shareholders.

### 8 - 3 Basis of Preparation

These financial statements are prepared in accordance with International Financial Reporting Standards.

Financial statements are prepared pursuant to the principle of modified historical cost to include the measurement of fair value of investments. The financial statements comply with the Companies Regulations and the Company's By-laws regarding the preparation and presentation of financial statements.

The Company presents detailed financial statements based on the order of items in terms of liquidity. All assets and financial liabilities are expected to be recovered and repaid within twelve months from the date of the financial statements.

#### (A) Use of estimates and judgments

The following details the main assumptions concerning the future factors, and most important sources of uncertainty in the estimates as of the date of the balance sheet, which have risks that may cause material adjustment to the amounts shown for assets and liabilities in the next financial year:

- Provision for outstanding claims

Management is required to prepare estimates under settlement for amounts owed to policyholders and other parties arising from claims made under insurance contracts.

- Provision for doubtful accounts

Provision is made for doubtful accounts when there is objective evidence that the Company will not be able to collect all amounts due according to the original maturity terms. The material financial difficulties of debtor and the default or delinquency in payment are indicators of the lower value of premiums.

- Costs of acquiring deferred insurance policies

Some of the acquisition costs of insurance policies as deferred acquisition costs are associated with issuing new insurance policies to be recorded and amortized in the statement of insurance operations and accumulated surplus over validity period of insurance policies. In case assumptions related to profitability of these policies in the future do not occur, amortization of these costs can be accelerated, and may be amortized in full in the statement of insurance operations and accumulated surplus.

- Useful life for furniture, fixtures and equipment

Company management determines the estimated useful life of furniture, fixtures and equipment, for the purpose of calculating depreciation. These estimates are determined after taking into account the expected use of these assets or their physical condition. The Management reviews the remaining value and useful lives annually, and depreciation expenditure will be adjusted in the future when management deems that the useful life is different from previous estimates.

#### (B) International Financial Reporting Standards and Interpretations of the International Financial Reporting Standards Committee to the new and modified Financial Reporting followed by the Company:

The International Accounting Standards Council issued the following new and revised standards and interpretations, which are valid for the periods effective the dates mentioned below:

Standard/Interpretation	Description
IAS 24	Related Party Transactions (Revised)
IAS 32	Amendments to IAS 32 Classification of Rights Issues
IFRIC 19	Extinguishing Financial Liabilities with Equity Instrument
IFRS 7	Amendment to IFRS 7 Financial Instruments: Disclosures (including disclosures for transfer of financial assets)
IAS 1	Presentation of Financial Statements

Source: the Company.

#### (c) New standards issued but not yet effective

The International Accounting Standards Council issued the following new and revised standards and interpretations, which have not yet been effective and as of the date of issue. The Company's financial statements are as listed below, and the existing which is the issued standards and interpretations, which the Company expects to a reasonable extent, that they are applicable at a later date. The Company plans to adopt these standards as they become valid.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015G
IFRS 10	Consolidated financial statements	1 January 2013G
IFRS 12	Disclosures of interests in other entities	1 January 2013G
IFRS 13	Fair value measurement	1 January 2013G
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012G
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets	1 January 2012G
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013G

Source: the Company.

## 8 - 4 Summary of Important Accounting Policies and Assumptions

The following are the accounting policies used in preparing financial statements which are consistent with those used in the preparation of financial statements of the Company for the year ended December 31, 2010G. There are new standards and modifications, which will be effective on January 1, 2011G, and did not have a significant effect on the financial statements of the Company. Following are Policies used in developing financial statements:

- Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand and at bank including short-term deposits that mature within three months or less from the date of original purchase.



- Accounts receivables for Insurance Premiums:

Accounts receivable for insurance premiums are shown in the original invoice amount after deducting any provision for doubtful accounts. Bad debts are written off as incurred.

- Investments:

Financial Assets of the Company include financial investments available for sale and investments for trading. The classification is based on the purpose for which the investment was purchased or emerged.

- Investments Available for Sale:

- Investments that are classified" as "available for sale" are recorded initially at cost and subsequently measured at fair value.

- Investments for trading:

- Investments held for trading represent investments in Murabaha financing term funds, which are easily marketable, and that have been recognized initially at cost and subsequently re-measured at fair value and are shown in the financial statements at fair value. Fair value is determined by reference to net asset value specified by the Fund Manager on daily basis when the market closes.

- Deferred policy acquisition costs (DPAC)

Commissions paid to sales staff and other costs for the acquisition of insurance contracts that relate primarily to securing new contracts and renewing existing contracts are capitalized as non-tangible asset. They are subsequently amortized over the life of insurance policy on a basis consistent with the terms of coverage of the relevant policy.

- Furniture, fixtures and equipment:

Furniture, fixtures and equipment are recognized at cost less accumulated depreciation. Depreciation is charged to the statement of shareholders operations on straight-line basis over the estimated useful lives of assets.

- Claims:

Claims are charged to the income statement once incurred, and they consist of amounts due to policyholders and other parties after deducting the discount on large contracts and other recovered amounts. Claims consist of estimated amounts payable for claims reported to the Company and claims not reported as of the date of the balance sheet.

- Reinsurance:

In the ordinary course of business, the Company re-insures premiums and insured risks. These reinsurance arrangements provide more diversity in the business, and allow management to monitor exposure to potential losses resulting from significant risks, and provide additional potential for expansion.

- Revenue recognition

Total insurance premiums and commissions are recorded upon issuance or renewal of the insurance policy.

- Reinsurance premiums

Issued reinsurance premiums are recorded as expenses when they become due.

Reinsurance premiums are charged to income over the validity periods of respective policies on a pro rata basis.

- Expenses

The sales and marketing expenses are expenses specifically related to sales representatives and sales promotion and advertising and any provision for any doubtful accounts and legal fees. All the other expenses are classified as General and Administrative Expenses.

- Leases

Leases under which the lessor retains all the risks and benefits of ownership are classified as operating lease contracts. Operating Lease Payments are recorded as expenses in the statement of insurance operations and accumulated surplus on straight-line basis over the lease term.

- Translation of Foreign Currency

The Company maintains its accounting records in Saudi Riyals. Transactions that are performed in foreign currencies are recorded in Saudi Riyal at the exchange rates prevailing at the date of such transactions.

- Fair value of financial instruments:

Fair value of the items for which commission is paid, is estimated on the basis of discounted cash flows using commission rate of the items that have the same terms and similar risk characteristics, except for the fair value of investments held for trading based on market price of securities which have a price determined by the Investment Manager. Fair values of all other financial instruments are estimated using methods such as present net value of future cash flows.

- Zakat and Income Tax

Zakat is computed on Saudi shareholders' share or net income using the basis defined under Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year. Zakat and income tax is accrued and charged to accumulated losses in the statement of shareholders' equity.



- Payables and Receivables

Liabilities are recorded for amounts to be paid in the future to meet with the goods or services that are received, whether invoiced by the supplier or not.

- Provisions:

Allocations are included 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.

- Impairment and inability to recover financial assets:

An assessment is made at the date of every balance sheet to determine whether there is an objective evidence that certain financial asset may be impaired.

- Date of the transaction:

All purchases and sales of financial assets are registered/not registered on the transaction date (i.e. the date on which the Company commits to purchase or sell the assets).

- Insurance policies:

Premiums related to insurance contracts are recorded as revenues over validity period of relevant contracts.

- Offsetting:

Financial assets and liabilities are offset and net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

## 8 - 5 The balance sheet

Balance Sheet	December 31, 2011G			
	2011G	2010G	2009G	Change Rate Between 2010G & 2011G
	SR '000	SR '000	SR '000	%
<b>INSURANCE OPERATIONS' ASSETS</b>				
Cash and cash equivalents	58,384	23,662	1,989	146
Premiums and reinsurance receivables - gross	9,508	15,978		(40)
Allowances for doubtful receivable	(672)	(60)		1,020
Premiums and reinsurance receivable - net	8,836	15,918	3,701	(44)
Reinsurance share of outstanding claims	1,861	7,627	2,542	(75)
Reinsurance share of unearned premium	11,422	13,853	24,910	(17)
Deferred policy acquisition cost	17,835	14,134	109	26
Due from shareholders' operations	9,467	9,884	100	(4)
Prepayments, advances and other receivables	2,777	911	—	205
Investments	--	10,020	--	(100)
Furniture, fittings and equipment	5,222	5,541	--	(6)
Total insurance operations assets	115,804	101,550	33,351	2%
<b>SHAREHOLDERS' ASSETS</b>				
Cash and cash equivalents	13,492	25,242	35,405	(47)
Prepayments, advances and other receivables	3,120	2,345	4,037	33
Furniture, fittings and office equipment			2,877	
Investments	2,877	2,893	4,991	(1)
Statutory deposit	10,000	10,000	10,000	—
Total shareholders' assets	29,489	40,480	57,310	(27)
<b>TOTAL ASSETS</b>	<b>145,293</b>	<b>142,030</b>	<b>90,661</b>	<b>2</b>

Balance Sheet	December 31, 2011G			
	2011G	2010G	2009G	Change Rate Between 2010G & 2011G
	SR '000	SR '000	SR '000	%
INSURANCE OPERATIONS' LIABILITIES AND DEFICIT				
Outstanding claims	20,556	14,122	25,217	46
Reinsurance balance payable	7,347	12,796	2,529	(43)
Unearned premium	81,201	65,756	4,428	23
Unearned commission	1,864	2,393	628	(22)
Accrued expenses and other liabilities	3,409	3,041	549	12
Due to a related party	--	2,022	--	(100)
Employees' termination benefits	1,427	1,420	--	1
<b>Total insurance operations' liabilities</b>	<b>115,804</b>	<b>101,550</b>	<b>33,351</b>	<b>14</b>
Insurance operations' deficit / (surplus)				
Deficit from Insurance Operations	--	--	--	
<b>Total insurance operations' liabilities and surplus</b>	<b>115,804</b>	<b>101,550</b>	<b>33,351</b>	<b>14</b>
Shareholders' liabilities and equity				
Shareholders' liabilities				
Due to insurance operations	9,467	9,884	100	(4)
Accrued expenses and other liabilities	403	376	2,423	7
Due to a related party			3,024	
Employees' termination benefits			805	
Accrued zakat	548	664	1,061	(17)
<b>Total shareholders' liabilities</b>	<b>10,418</b>	<b>10,924</b>	<b>7,413</b>	<b>(5)</b>
Shareholders' equity				
Share capital	100,000	100,000	100,000	-
Accumulated loss	(80,929)	(70,444)	(50,103)	15
<b>Total shareholders' equity</b>	<b>19,071</b>	<b>29,556</b>	<b>49,897</b>	<b>(35)</b>
<b>Total shareholders' liabilities and equity</b>	<b>29,489</b>	<b>40,480</b>	<b>57,310</b>	<b>(27)</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' DEFICIT AND SHAREHOLDERS' EQUITY</b>	<b>145,293</b>	<b>142,030</b>	<b>90,661</b>	<b>2</b>

Source: Audited Financial Statements.

## 8 - 5 - 1 Assets

Assets that are represented in insurance operations assets and shareholders operations assets reached SAR 145,293 thousand in December 31, 2011G, as compared to SAR 142,030 thousand in December 31, 2010G, an increase of 2% as a result of high costs of acquisition and possession of deferred insurance policies of 3 million.

### 8 - 5 - 1 - 1 Cash and cash equivalents:

Cash and cash equivalents balances reached SAR 71,876 thousand in December 31, 2011G, as compared to SAR 48,904 Thousand in December 31, 2010G, an increase of 47%. The rise in cash value during the year is due to the increase in cash sales, where sales of insurance policies towards third parties reached SAR 133,511 thousand in 2011G as compared to SAR 65,353 thousand in 2010G.

#### 8 - 5 - 1 - 2 Net Receivable from policyholders

	2011G	2010G	Change Rate
	SR '000	SR '000	%
<b>Insurance Operations</b>			
Premiums receivable - Other customers	7,169	15,330	(53)
Premiums receivable - Related parties (Note 21)	40	28	43
Reinsurance receivable	2,299	620	270
Premiums and reinsurance receivables - gross	9,508	15,978	(40)
Allowance for doubtful receivable (see note below)	(672)	(60)	1,020
Premiums and reinsurance receivable - net	8,836	15,918	(44)

Movement on provision of doubtful accounts is as follows:

	2011G	2010G
	SR'000	SR'000
Balance at the beginning of year	60	18
Allowance during the year	612	42
Balance at the end of year	672	60

#### 8 - 5 - 1 - 3 Premiums receivables to customers

Premiums receivable from customers amounted to SAR 7,169 thousand in December 31, 2011G as compared to SAR 15,330 thousand in December 31, 2010G, a decrease of 53%, due to increase in proceeds from customers.

Customer Receivables were reviewed, and a decline was noted in balance as compared to last year. Balances were verified through:

- Subsequent cash proceeds during the year 2012G for customer balances as of December 31, 2011G, the value of which is SAR 5,184 thousand.
- Obtain customer approvals for some outstanding balances.

The Company reviews the credit history in the market prior to the granting credit sales. The Company also keeps control over customer approvals.. Credit standard terms are as follows:

- 60 days for direct corporate customers
- 90 days for broker customers
- None for individuals credits

Customer cannot be granted a credit period of more than 90 days.

**Doubtful Accounts:** In order to assess the efficiency of provision for doubtful accounts and analyze accumulation factor, receivables are obtained.

The doubtful accounts reached SAR 672 thousand represented in the following:

Days of the debt	Value of the client's balances	Provisions percentage	Provisions Value
180 – 90	1,060 thousand riyals	15%	159 thousand riyals
360 – 181	1,58 thousand riyals	25%	396 thousand riyals
360 - More	156 thousand riyals	75%	117 thousand riyals
Total			672 thousand riyals

**Accounts receivable for reinsurance:** the Company is not authorized to carry out re-insurance work, and it deals with re-insurance companies for policies issued by it. Balances appear to reinsurers resulted from the 'due to the Company' because of the share of reinsurers in claims paid to customers.

After reviewing the debit balances for reinsurers (SR 2,265,187), an increase of 216% as compared to previous year was noted due to increase in receivables from reinsurance companies. A share of (SR 3,651,000) represents re-insurance companies in claim of Pamera Center for fire insurance. Approvals and approved adjustments were received from reinsurers which accounted for 70% of reinsurers balances as of December 31, 2011G.

#### 8 - 5 - 1 - 4 Share of Reinsurance for existing claims under settlement

Re-insurance share of claims under settlement amounted to SAR 1,861 thousand in December 31, 2011G, as compared to SAR 7,627 thousand in December 31, 2010G, down 75%. Reinsurance share of outstanding claims under settlement represents the accrued portion from reinsurers to settle the claims of policyholders. The decrease is due completion of final settlement of this type of claims and thus convert the final value to account receivables for reinsurance.

#### 8 - 5 - 1 - 5 Reinsurers share of unearned premiums

The share of reinsurers from unearned insurance premiums amounted to SAR 11,422 thousand in December 31, 2011G, as compared to SAR 13,853 thousand in December 31, 2010G, up 17%. The decline in the re-insurance share in the premiums earned is due to the Company's attention on sales of automotive products. The was by signing contracts with two licensed insurance agents, and opening outlets by the Company.

#### The Costs of Acquisition and Possession of Deferred Insurance Policies:

	2011G	2010G
	SR '000	SR '000
Balance at the beginning of the year	14,134	109
Policy acquisition cost deferred	38,881	19,556
Amortisation for the year	(35,180)	(5,531)
Balance at the end of the year	17,835	14,134

Costs of acquisition and possession of deferred insurance policies amounted to SAR 17,835 thousand in December 31, 2011G as compared to SAR 14,134 thousand in December 31, 2010G, up 26%. Costs of acquisition and possession of deferred insurance policies represent the value of the deferred commission payable to the broker or agent for sales of insurance policies. These deferred commissions related to 2012G, and they have not been charged insurance operations and accumulated surplus statement during the year 2011G.

The reasons for this increase in the cost of acquisition and possession of deferred insurance policies is due to the increase in the overall insurance premiums, which represent the major increase in sales of vehicles policies of liability towards third party. This led to increase in commissions during the period and hence an increase in deferred commissions due to higher sales of the agent (Saudi Anadl for insurance agencies) due to increase of its branches during the second half of 2011G, as compared to sales of the second half of 2010G.

#### Due from shareholders' operations:

Due from the shareholders amounted SAR 9,467 thousand Riyals in December 31, 2011G compared to SAR 9,884 thousand in December 31, 2010G, down 4%. This account represents amounts payable to policyholders by shareholders who paid SAR 417 thousand in the year 2011G.

#### 8 - 5 - 1 - 6 Prepayments and advances and other receivables

Insurance Operations	2011G	2010G
	SR '000	SR '000
Prepayments	578	284
Advances	473	595
Due from a related party (note 21)	1,002	--
Other receivables	724	32
	2,777	911

Total payments made and advances and other receivables for insurance operations SAR 2,777 thousand in December 31, 2011G as compared to SAR 911 thousand in December 31, 2010G, up 205% . The increase is due to rental paid in advance and the increase in the number of branches that the Company has opened during the year 2011G. In addition to amounts due from related parties which were paid by Saudi ACIG to some service providers for Bahrain ACIG because of the undertaking of Saudi "ACIG" to guarantee payment of these due amounts.

Shareholders' Operations	2011G	2010G
	SR '000	SR '000
Zakat reimbursable from shareholders	2,345	2,345
Other receivables	775	--
	3,120	2,345

The amounts paid in advance and for shareholders' operations amounted SAR 3,120 thousand in December 31, 2011G as compared to SAR 2,345 thousand in December 31, 2010G, up 33%.

The account of Zakat recovered from shareholders represents- Zakat recovered from the Islamic Development Bank – and will be deducted its share in profits when the Company's realizes profits in future. As for debtor's account for Islamic Development Bank, it represents the Islamic bank share in Zakat. Since the Company is making losses so far and there is no dividend paid, this debt has been recorded to the Islamic Development Bank, until future profits are realized, then this value will be deducted the Islamic Development Bank share in dividend.

The expenses paid in advance to issue priority rights shares, represent the expenses of the financial and legal advisor fees, and audit fees which have been capitalized until completion of the capital increase.

#### 8 - 5 - 1 - 7 Investments

Insurance Operations	2011G	2010G
	SR '000	SR '000
Trading investments		
Balance at beginning of the year	10,020	--
Purchased during the year	13,000	10,000
Redeemed during the year	(23,067)	--
Realised gain on redemption	47	--
Unrealised gain during the year	--	20
Balance at end of the year	—	10,020

There are no investments of insurance operations as at December 31, 2011G, as compared to SAR 10,020 thousand in December 31, 2010G, down 100%, due to liquidation of investments by the Company to improve the solvency margin. The investments are represented in the money investment in a fund for financing short-term Murabaha at Al Rajhi Bank.

#### Shareholders' operations:

This item represents investment in Najem Company for insurance services and short-term investments in short-term Murabaha at Bank Al-Rajhi and movement in investment during the year as follows:

Available for sale	2011G	2010G
	SR '000	SR '000
Balance at beginning and at the end of the year	2,877	2,877

Trading investments		2011G	2010G
Balance at beginning of the year		16	--
Purchased during the year		24,800	34,000
Redeemed during the year		(24,846)	(34,300)
Realised gain on redemption		30	315
Unrealised gain during the year		--	1
Balance at end of the year		--	16

Shareholders' operations investments amounted to SAR 2,877 thousand in December 31, 2011G compared to SAR 2,893 thousand in December 31, 2010G, down 1% by, due to converting SAR 16 thousand from investments account in the bank to current accounts.

#### 8 - 5 - 1 - 8 Property and equipment

Net property and equipment witnessed increase of 5% for the year 2011G, compared to the year 2010G, and the details are as follows:

Following is an analysis of fixed assets, provision for depreciation and net book value over the past three years:

Statement (value in thousand riyals)	Improvements to the rented premises, furniture, and office equipment	Computers	Cars
Cost			
31 Dec 2011G	4,530	3,421	90
31 Dec 2010G	4,558	2,571	90
31 Dec 2009G	3,760	1,775	90
b. Depreciation allowance			
31 Dec 2011G	1,976	776	67
31 Dec 2010G	1,293	339	46
31 Dec 2009G	450	161	23
c. Net book value			
31 Dec 2011G	2,554	2,645	23
31 Dec 2010G	3,116	2,381	44
31 Dec 2009G	3,310	1,614	67
d. Rate of depreciation	7 Years	4 Years	4 Years

Source: the Company.

- Furniture and equipment accounts from the Company were reviewed, and it was noted that the Company uses depreciation rates between 10-15% per annum on the straight-line method. Guideline No. 13-22-4 from the Saudi Arabian Monetary Agency (SAMA) requires the Company to calculate depreciation of furniture and equipment over more than 10 years (10%) based on the straight-line method.
- The Company leasehold improvements account was reviewed and it was noted that the Company uses depreciation rate of 15% per annum based on straight-line method, while calculating depreciation on the leased improvements. SAMA guidelines does not give guidance regarding depreciation rate of leasehold improvements which states that the decrease of rates used are reasonable compared with the practices of public accounting in the Kingdom of Saudi Arabia.
- The Company uses annual depreciation rate of 25% based on straight-line method, while calculating depreciation of computers and software that are purchased. SAMA Guideline No. 4.22,123 requires the Company to calculate depreciation of computer hardware and software that was purchased over more than 4 years (25%) on the basis of straight-line method.
- Vehicles policies sale system was reviewed and it was noted that the Company uses the same rate of depreciation as required by the Saudi Arabian Monetary Agency (SAMA) guideline No. 13-22-4.

#### Statutory Reserve:

In accordance with the requirements of the insurance regulation in Saudi Arabia, the Company has deposited SAR 10 million representing 10% of the paid-up capital in a local bank designated by the Saudi Arabian Monetary Agency. This statutory deposit was deposited in Al Rajhi Bank.

## Total assets:

Statement (value in thousand riyals)	2011G	2010G	Change Rate 10 – 11
Total of Insurance operation's Assets	115,804	101,550	14%
Total of Shareholder's Assets	29,489	40,480	(27%)
<b>Total Assets</b>	<b>145,293</b>	<b>142,030</b>	<b>2%</b>

- The increase in total insurance assets from SAR 101,550 thousand in December 31, 2010G to SAR 115,804 thousand in December 31, 2011G of SAR 14,254 thousand, or 14%, is due to the increase in cash for the insurance operations.
- The decrease in the total assets of shareholders from SAR 40,480 thousand in December 31, 2010G to SAR 29,489 thousand in December 31, 2011G, amounting to SAR 10,991 thousand, or 27%, is due to decrease in cash for shareholders' operations.
- There is a minor increase in total assets for SAR 142,030 thousand in December 31, 2010G to SAR 145,293 thousand in December 31, 2011G, amounting to SAR 3,263 thousand, or 2%.

## 8 - 5 - 2 Deficit and liabilities of insurance operations

### 8 - 5 - 2 - 1 Claims under settlement

Statement (value in thousand riyals)	2011G	2010G	2009G
Claims under the settlement	20,556	14,122	25,217

Increase in outstanding claims is due to the increase in total insurance premiums; Expansion in sales of civilian automotive insurance policies with liability towards third parties led to a significant increase in provision for claims that occurred and have not been reported to the Company (this provision is called as "provision for claims that occurred and have not been reported to Company) and the Technical Provisions. This provision is calculated by the Company's actuary expert according to the insurance portfolio and accident rates in the market). Total claims amounted to SAR 11,595 thousand in December 31, 2011G as compared to SAR 3,377 thousand, with an increase of SAR 8,218 thousand, or 243%. However, there is a decrease in the outstanding claims of some other insurance products compared to previous year.

Claims according to the product SR '000	2011G
Engineering	471
Fire	932
Marine	552
Cars	16,855
Medical	292
General	1,454
<b>Total</b>	<b>20,556</b>

Source: the Company.

### 8 - 5 - 2 - 2 Reinsurance payables

Accounts payable balances of reinsurance amounted to SAR 7,347 thousand in December 31, 2011G compared to SAR 12,796 thousand in December 31, 2010G, down 43%. The decrease in accounts payable balances (amounted to SAR 4,656,000) is to decline in total reinsurance premiums in the fourth quarter of 2011G compared to total reinsurance premiums in the fourth quarter of 2010G.

Reinsurers Payables represent the credit balance for each reinsurer after excluding debit balance of reinsurers, SAMA regulations No. 4/24-3 requires registration, identification and finalization of any accrued dividend before the end of the fiscal year.

Subsequent payments to reinsurers of SAR 2.6 million, representing 34% of the due balance is followed up.

### 8 - 5 - 2 - 3 Unearned premiums

**Unearned premiums:** they are insurance premiums resulting from the sales of insurance policies, and these premiums are unearned and they don't belong to the year being audited and therefore they were calculated and charged to the budget accounts as obligations. These premiums will be earned in the next year starting January 1, 2012G to the end of the policy. In accordance with the guidelines of the Saudi Arabian Monetary Agency (SAMA) No. 4-24-5 shows the calculation of unearned premiums reserve from non-marine insurance using 365 days of unwritten premiums. Unearned premiums provision was calculated for marine re-insurance on the basis of the last three months method. Through verification and inspection, it was observed that the system automatically recognizes the policies based on the date of issue. On the other hand, the system allows to process policies with previous dates prior to approval dates.

SR '000	2011G	2010G	2009G
Unearned premiums	81,201	65,756	4,428

The increase in unearned premiums is due to the increase in total insurance premiums amounted to SAR 168 million in the year 2011G, compared to SAR 98 million in the year 2010G.

### 8 - 5 - 2 - 4 Unearned commissions

Unearned commissions amounted to SAR 1,864 thousand in December 31, 2011G as compared to SAR 2,393 thousand in December 31, 2010G, down 22%. The commissions are represented in those received from reinsurers for reinsurance premiums and these unearned commissions are for the year 2012G and they have not been charged to insurance operations statement and the accumulated surplus during the year 2011G.

The decrease in commissions received is due to the decline in total reinsurance premiums in the fourth quarter of 2011G, compared to the total reinsurance premiums in the fourth quarter of 2010G.

### 8 - 5 - 2 - 5 Accrued expenses and other liabilities

	2011G	2010G
Insurance operations	SR '000	SR '000
Accrued expenses	1,572	2,038
Other liabilities	1,837	1,003
	3,409	3,041
Shareholders' operations		
Accrued expenses	115	105
Other liabilities	288	271
	403	376

.There is an increase in accrued expenses and other liabilities account by 11%

This account represents amounts due to service providers (hospitals), suppliers, loss evaluators, and commissions payable to brokers, in addition withholding taxes provision, expenses due to some staff and fees due to the Saudi Arabian Monetary Agency and the Council of Cooperative Health Insurance.

### 8 - 5 - 2 - 6 Accrued to related parties

There are no amounts due to related party at December 31, 2011G as compared to SAR 2,022 thousand in December 31, 2010G, down 100%, as ACIG Bahrain repaid that during previous years. The only related party is "ACIG" Bahrain with a balance of SAR 2,022, where the ACIG Bahrain Company paid certain expenses on behalf of Saudi ACIG Company before activating the bank accounts of Saudi ACIG and identifying financial authorities. Saudi ACIG has repaid the full amount.

### 8 - 5 - 2 - 7 End of service benefits

Statement )Value in Thousands)	2011G	2010G	2009G
Termination benefits	1,427	1,420	805

End of service benefits represent the outstanding balance due to current employees at the end of each year and are calculated according to Labor Office regulations.

The increase in employees' end of service benefits from the year 2009G-2010G, is due to increase in the number of years the employees spent in the Company. There is no significant change between the years 2010G-2011G due to resignation of some employees and termination of services for others and the Company has paid their entitlements.



## Liabilities and shareholders' equity

- Accrued for insurance operations:

Total receivables for insurance operations amounted SAR 9,467 thousand in December 31, 2011G as compared to SAR 9,884 thousand in December 31, 2010G, down 4%, as shareholders paid SAR 417 thousand in the year 2011G to policyholders.

### 8 - 5 - 2 - 8 Zakat

Zakat is due on the Company has been calculated in accordance with Zakat regulations in the Kingdom of Saudi Arabia.

	2011G	2010G
	SR '000	SR '000
Charge for the year	535	707
	535	707

Zakat charged for the year is calculated for Zakat base, which includes the following components:

	2011G	2010G
	SR '000	SR '000
Equity	97,705	85,105
Opening provisions and other adjustments	(70,955)	(49,755)
Zakat base	26,750	35,350
Attributable to Saudi shareholders	21,400	28,280

The movement on Zakat provision during the year is as follows:

	2011G	2010G
	SR '000	SR '000
Balance at the beginning of the year	664	1,061
Charge for the year	535	707
Payment during the year	(651)	(1,104)
Balance at the end of the year	548	664

Zakat balance represents the outstanding balance to be paid to the Department of Zakat and income (DZIT) after the approval of the financial statements. This value will be paid before 30 April of each year. Decrease in Zakat amount is due to losses realized each year.

### 8 - 5 - 3 Shareholders' Equity

	2011G	2010G
	SR '000	SR '000
Shared Capital	100,000	100,000
Accumulated loss	(80,929)	(70,444)
Total shareholders' equity	19,071	29,556

The following is a brief explanation of shareholders' equity item:

## Share Capital

The Share Capital of the Company is SAR 100 million comprises 10 million ordinary shares of nominal value of SR10 per share. Founders subscribed in 60% of the shares representing 6 million ordinary shares, while public subscribed in the remaining shares, which represent 40% of the shares of the Company amounting 4 million ordinary shares. After lifting restriction on shares, some founders sold their shares and the percentage of shares owned by the founders decreased from 60% to 44%.

## Accumulated losses

Accumulated losses amounted to SAR 80,929 thousand in December 31, 2011G as compared to SAR 70,444 thousand. The accumulated losses represent net losses realized for the current year and previous years in addition to Zakat charged to this account, which amounted to SAR 353 thousand in the year 2011G as compared to SAR 707 thousand in the year 2010G. Please see section 10 "accumulated losses" for reasons of losses and the Company's plan to reduce them.

### Total liabilities, insurance operations deficit and shareholders' equity:

SR '000	2011G	2010G	Rate 10-11
Total Insurance operations liabilities	115,804	101,550	14%
Total Shareholders' liabilities and equity	29,489	40,480	(27%)
TOTAL LIABILITIES, INSURANCE OPERATIONS' DEFICIT AND SHAREHOLDERS' EQUITY	145,293	142,030	2%

The main increase in total liabilities of insurance operations from SAR 101,550 thousand in December 31, 2010G to SAR 115,804 thousand in December 31, 2011G, is due to the increase in premiums earned because of the increase in total insurance premiums.

The main decrease in total liabilities and shareholders' equity from SAR 40,480 thousand in December 31, 2010G to SAR 29,489 thousand in December 31, 2011G, by SAR 10,991 thousand, or 27%, is due to the increase in accumulated losses due to the Company's losses realized during the year 2011G.

There is a small increase in total liabilities and deficit in insurance operations and shareholders' equity of SAR 142,030 thousand in December 31, 2010G to SAR 145,392 thousand in December 31, 2011G, by SAR 3,263 thousand or 2%.

## 8 - 5 - 4 Results of Operations

### Insurance operations and accumulated surplus

For the year ended December 31, 2011G

REVENUE	2011G	2010G	2009G	Change Rate 10-11
	SR '000	SR '000	SR '000	%
Gross written premium	168,391	98,385	6,130	71
Premium ceded	(27,826)	(26,349)	(3,392)	6
Retained written premium	140,565	72,036	2,738	95
Net movement in unearned premium	(17,875)	(50,018)	(1,886)	(64)
Excess of loss premium	(2,372)	(1,294)	(170)	83
Net earned premium	120,318	20,724	682	481
Reinsurance commission earned	4,326	2,046	131	111
<b>Total insurance revenue</b>	<b>124,644</b>	<b>22,770</b>	<b>813</b>	<b>447</b>
<b>CLAIMS</b>				
Gross claims	71,815	28,217	89	155
Claims recovered from reinsurance	(8,866)	(22,618)	(41)	(61)
Net claims	62,949	5,599	48	1,024
Net movement in outstanding claims	12,199	6,190	307	97

REVENUE	2011G	2010G	2009G	Change Rate 10-11
	SR '000	SR '000	SR '000	%
Net claims incurred	75,148	11,789	355	537
Policy acquisition cost	35,180	5,531	41	536
Net claims	110,328	17,320	396	537
Net underwriting result	14,316	5,540	417	162
Investment and other income	54	22	--	(150)
EXPENSES				
Selling and marketing	(7,453)	(6,641)	--	12
General and administrative	(16,348)	(18,280)	(11,562)	(10)
Deficit from insurance operations	(9,467)	(19,449)	(11,145)	(51)
Deficit transferred to shareholders' operations	9,467	19,449	11,145	(51)

Source: the Company.

## Shareholders' Operations Statement

For the year ended December 31, 2011G

INCOME	2011G	2010G	2009G	Change Rate 10-11
	SR '000	SR '000	SR '000	%
Investment and other income	37	317	343	(88)
EXPENSES				
Deficit from insurance operations	(9,467)	(19,449)	(11,145)	(51)
General and administrative expenses	(520)	(502)	(12,931)	4
Net loss for the year before Zakat	(9,950)	(19,634)	(23,733)	(49)
Zakat on Islamic Development Bank (IDB) shareholding	--	--	(478)	
Net loss for the year	(9,950)	(19,634)	(24,211)	(49)

Source: Audited financial statements.

## Insurance operations and accumulated surplus statement

Total insurance premiums (in thousand)

Statement	2011G	2010G	2009G
Total Insurance Premiums	168,391	98,385	6,130
The premiums are divided as follows:			
• Fire	8,956	17,587	
• Engineering	7,247	1,102	
• Marine	2,199	2,682	
• General Accidents	14,031	10,133	6,130
• Cars	133,511	65,353	
• Medical	2,446	1,528	

The major portion of sales is in automotive sales which represented 79% of premiums in 2011G as compared to 66% for the year 2010G. Total insurance premium rate increased by 1,505% during the year 2010G and by 14% during the year 2011G. Increase in sales is due to:

1. Sales Department opened new outlets, which increased from 11 outlets in 2010G to 23 outlets in 2011G.
2. The dealer "Adel", with whom ACIG is dealing, obtained approval from Saudi Arabian Monetary Agency (SAMA) to open 15 new outlets in several cities and thus contributed to increasing sales of ACIG Company.
3. Direct sales team was recruited to focus on the sale of various products, including, but not limited to, medical risks program and automotive insurance program.
4. Sales management entered into several contracts with companies, which led to an increase in premiums written in the branches of general accident insurance, property and engineering and travel insurance.
5. Contracts were signed with 6 licensed insurance brokers contributed to the increase in gross written premiums.
6. Telephone sales unit, which contributed in the sale of medical mistakes and comprehensive automotive insurance products.

A marketing and sales plan has been developed to existing customers whose policies expire during 2011G. The loss rate for those customers was studied and they were given special offers at renewal.

### Reinsurance share:

The share of reinsurance amounted to SAR 27,826 thousand in December 31, 2011G as compared to SAR 26,349 thousand, up by 5%, despite a significant increase in the overall reinsurance premiums. However, there was no increase at a similar or closer rate for the increase in reinsurance premiums is due to significant increase in sales of automotive insurance policies and this product is subject to the agreement of loss increase. The agreement of loss increase is represented in that the insurance Company entered into an agreement with the reinsurance companies with certain amount to be specified for each claim, and the reinsurer pays excess amount of the claim to the insurance Company. Example, insurance Company signed agreement of loss increase for any compensation beyond SAR 200 thousand, and sum in case of a claim of SAR 150 thousand, the insurance Company pay the claim, and case the claim is SAR 250 thousand, the insurance Company pays SAR 250 thousand, and then takes SAR 50 thousand from reinsurer pursuant to this Agreement.

### Retained insurance premiums (Value in thousand Riyals):

Statement	2011G	2010G
Insurance premiums held	140,565	72,036
The premiums are divided as follows		
• Fire	421	380
• Engineering	36	7
• Marine	715	1,092
• General Accidents	4,476	4,450
• Cars	133,381	65,343
• Medical	1,536	764

Source: the Company.

### Premiums of Excess Loss (Value in thousand Riyals):

Statement	2011G	2010G
Excess of loss premiums	2,372	1,294
The premiums are divided as follows		
• Fire	134	132
• Engineering	135	122
• Marine	106	98
• General Accidents	65	48
• Cars	1,764	894
• Medical	168	-

Source: the Company.

### Reinsurance Commission Earned (Value in thousand Riyals):

Statement	2011G	2010G
Reinsurance commission earned	4,326	2,046
The commission are divided as follows		
• Fire	2,081	796
• Engineering	301	220
• Marine	447	599
• General Accidents	1,301	368
• Cars	5	-
• Medical	191	63

Source: the Company.

### Total revenues:

Total revenues of insurance amounted to SAR 124,644 thousand in December 31, 2011G as compared to SAR 22,770 thousand in December 31, 2010G. The increase in total revenues is due to increase of total insurance premiums due to higher sales of automotive insurance policies and also because of a decrease in net change in unearned premiums,

in addition to the rise in the commission of reinsurance earned and received from reinsurers because of reinsurance premiums. There is a growth in gross revenue insurance rate of 2,348% in 2010G and increased by 447% during the year 2011G, representing total revenues resulting from the different sectors as follows:

Statement (value in thousands riyals)	2011G	2010G	Change rate 10 - 11 (%)
• Fire	2,452	921	166
• Engineering	198	98	102
• Marine	1,144	1,765	(35)
• General Accidents	5,459	2,269	141
• Cars	114,012	17,838	539
• Medical	1,379	(121)	
<b>Total</b>	<b>124,644</b>	<b>22,770</b>	<b>447</b>

Source: the Company.

The bulk of insurance revenues was realized from automotive products because of the surge in sales of this sector in addition to the absence of reinsurance share, and it relies on the increase of the loss.

#### Net claims incurred (Value in SAR thousand)

Statement	2011G	2010G	2009G
Net claims incurred	75,148	11,789	355
The claims are divided as follows			
• Fire	614	54	
• Engineering	(9)	33	
• Marine	72	449	
• General Accidents	314	706	355
• Cars	73,447	10,399	
• Medical	710	148	

The bulk of the net claims incurred in the automotive sector because of the expansion in sales of insurance policies for civil liability towards third parties.

#### Costs incurred for the acquisition of insurance policies (Value in thousand Riyals)

Statement	2011G	2010G
Incurred costs of acquiring insurance policies	35,180	5,531
The cost is divided as follows		
• Fire	212	127
• Engineering	145	50
• Marine	103	11
• General Accidents	812	163
• Cars	33,789	5,142
• Medical	119	38

Source: the Company.

## Results of insurance operations (Value in thousand Riyals)

Statement	2011G	2010G
Net underwriting results	14,316	5,450
These are divided as follows:		
• Fire	1,626	740
• Engineering	62	15
• Marine	969	1,305
• General Accidents	4,333	1,400
• Cars	6,776	2,297
• Medical	550	-307

Source: the Company.

The bulk of the results of net subscriptions is represented in automotive sector valued at SAR 6,776 thousand, which represents 47% of the total results of the net subscription, followed by general accidents amounting to SAR 4,333 thousand, which represents 30% of the total results of the net subscription and fire, amounting to SAR 1,626 thousand, and this represents 11% of net underwriting results.

### Expenses:

Statement (value in thousand riyals)	2011G	2010G
Selling and marketing	7,453	6,641
General and administrative	16,384	18,280
Total	23,837	24,921

There is a slight decline of 2% in sales and marketing expenses in salaries and commission of sales staff.

The major part of general and administrative expenses is for Company staff salaries and paid rental.

The following is an analysis of sales and marketing expenses and general and administrative expenses.

### Sales and Marketing Expenses:

	2011G	2010G
	SR '000	SR '000
Employee costs	4,890	5,225
Advertising	1,032	1,091
Others	1,531	325
	7,453	6,641

Source: the Company.

The increase in sales and marketing expenses is due to the means of publicity carried out by the Company as well as printing insurance policies because of the expansion in sales of automotive insurance policies.

Decline in cost of staff is due to resignations of employees of sales and marketing department during 2011G. The bulk of others is in rental of outlets (Points of Sale).

General and administrative expenses:

Sales and marketing expenses:

	2011G	2010G
	SR'000	SR'000
Employee costs	10,843	11,766
Depreciation (note 10)	1,147	1,044
Legal and professional fees	1,745	1,100
Rent	1,025	2,019
Utilities	456	612
Maintenance	270	185
Traveling	138	302
Others	760	1,252
	16,384	18,280

Source: the Company.

Overhead expenses in December 31, 2011G amounted to SR16,384 thousand compared to SAR 18,280 thousand, down 10%, due to management attempt to reduce staff in addition to reducing expenses in general.

The largest part of "other" is for SAMA control and supervision fees.

Deficit of Insurance Operations:

Statement	2011G	2010G
	SR '000	SR '000
Deficit from insurance operations	9,467	19,449

Source: the Company.

Deficit resulting from insurance operations amounted to SAR 9,467 thousand in December 31, 2011G as compared to SAR 19,449 thousand in December 31, 2010G, down 51%, due to increase in net results of subscription from SAR 5,450 thousand in December 31, 2010G to SAR 14,306 thousand, with an increase of SAR 8,866 thousand, or 163%, in addition to the decrease in expenses from SAR 24,921 thousand in December 31, 2011G to SAR 23,837 thousand in December 31, 2010G, with a decrease of SAR 1,084 thousand, or 4%.

The following table shows the deficit resulting from the insurance operations:

Statement	2011G	2010G
	SR '000	SR '000
Net underwriting results	14,316	5,450
Investment income	54	22
Expenses	(23,837)	(24,921)
Deficit from insurance operations	(9,467)	(19,449)

Source: the Company.

Shareholders' Operations Statement:

Net loss for the year

To calculate the net loss for the year, deficit of the insurance operations is taken into account (set forth in paragraph "deficit from insurance operations" above) and general and administrative expenses for shareholders operations (set



forth in paragraph “general and administrative expenses” above) after deduction of investment income of shareholders operations. There is no significant change in general and administrative expenses for shareholders operations (set forth in paragraph “general and administrative expenses” above), but there is a decrease in investment income for shareholders’ operations (set forth in paragraph 8.5.4), reaching SAR 37 thousand in December 31, 2011G, compared to SAR 317 thousand in 31 December 2010G, down 88%. This is due to the transfer of funds recovered to the current account to meet the solvency margin in accordance with the instructions of the Saudi Arabian Monetary Agency.

The following table shows the net loss:

Statement	2011G	2010G
	SR ‘000	SR ‘000
Investment income	37	317
Expenses		
Deficit from insurance operations	(9,467)	(19,449)
General and administrative expenses	(520)	(502)
Net loss for the year	9,950	19,634

Source: the Company.

## Statement of Cash Flows:

### Statement of Cash Flows for insurance operations

For the year ended December 31, 2011G

	2011G	2010G	2009G	Change Rate 10-11
	SR ‘000	SR ‘000	SR ‘000	%
<b>OPERATING ACTIVITIES</b>				
Net deficit for the year from Insurance Operations	--	--		
Adjustments for:				
Depreciation	1,147	1,044		10
Investment income	(47)	(20)		135
Loss on disposal of furniture, fittings and equipment	5	--		-
Employees’ termination benefits, net	7	614		(99)
<b>Changes in assets and liabilities:</b>				
Due from policyholders				(3701)
Premiums and reinsurance receivable – net	7,082	(12,217)		-
Reinsurance share of outstanding claims	5,766	17,283	(24,910)	(66)
Reinsurance share of unearned premium	2,431	(11,311)	(2,542)	-
Deferred policy acquisition cost	(3,701)	(14,025)	(109)	(73)
			(3,701)	
Due from shareholders’ operations	417	(10,628)	(100)	-
Prepayments, advances and other receivables	(1,866)	782	-	-
Outstanding claims	6,434	(11,095)	25,217	-
Reinsurance balance payable	(5,449)	10,267	2,529	-
Unearned premium	15,445	61,328	4,428	(75)
Unearned commission	(529)	10765	628	-

	2011G	2010G	2009G	Change Rate 10-11
	SR '000	SR '000	SR '000	%
Accrued expenses and other liabilities	369	482	549	(23)
Due to a related party	(2,022)	(1,002)	--	(102)
Net cash from operating activities	25,489	33,267	1,989	(23)
<b>INVESTING ACTIVITIES</b>				
Purchase of investment	(13,000)	(10,000)	--	30
Proceeds from redemption of investment	23,067	--	--	-
Purchase of furniture, fittings and equipment	(835)	(1,594)	--	(47)
Proceeds from disposal of furniture, fittings and equipment	1	--	--	
Net cash from / (used in) investing activities	9,233	(11,594)	--	-
Increase in cash and cash equivalents	34,722	21,673	1,989	60
Cash and cash equivalents at the beginning of the year	23,662	1,989	--	1,090
Cash and cash equivalents at the end of the year	58,384	23,662	--	147

## Statement of cash flows to shareholders' operations

For the year ended December 31, 2011G

	2011G	2010G	2009G	Change rate 10-11
	SR '000	SR '000	SR '000	%
<b>OPERATING ACTIVITIES</b>				
Net loss for the year before Zakat	(9,950)	(19,634)	(23,733)	(49)
<b>Adjustment for:</b>				
Depreciation			490	
Provision for end of service			341	
Investment income	(30)	(316)	--	(91)
	(9,980)	(19,950)	(22,902)	(50)
<b>Changes in assets and liabilities:</b>				
Prepayments, advances and other receivables	(775)	--	889	-
The increase in receivables and other payables			802	
Increase in due to related parties			(1115)	
Due to insurance operations	417	10,628	100	(96)
Accrued expenses and other liabilities	27	(37)		-
	(11,145)	(9,359)		19
Zakat paid	(651)	(1,104)	(1,762)	(41)
Net cash used in operating activities	(11,796)	(10,463)	23,988	12
<b>INVESTING ACTIVITIES</b>				
Purchase of trading investments	(24,800)	(34,000)	(500)	(27)

	2011G	2010G	2009G	Change rate 10-11
	SR '000	SR '000	SR '000	%
Furniture, fittings and equipment			(3,810)	
Proceeds from redemption of trading investments	24,846	34,300		(27)
Net cash from investing activities	46	300	(4,310)	(85)
Decrease in cash and cash equivalents	(11,750)	(10,163)	(28,298)	16
Cash and cash equivalents at the beginning of the year	25,242	35,405	63,703	(29)
Cash and cash equivalents at the end of the year	13,492	25,242	35,405	(46)

Source: Audited Financial Statements.

### Statement of Cash Flows for insurance operations:

SR '000	2011G	2010G	Change rate 10-11 (%)
Net cash from operating activities	25,489	33,267	(23)
Net cash from investing activities	9,233	(11,594)	
Increase in cash and cash equivalents	34,722	21,673	60

Source: the Company.

Main reason for decline in net cash flows from operating activities from SAR 33,267 thousand in December 31, 2010G to SAR 25,489 thousand in December 31, 2011G, or by 23%, is the decline in unearned premiums (SR 45,883 thousand).

The main reason for the shift from deficit in net cash from investment activities by SAR 11,594 thousand in December 2010G, to a surplus in net cash for investment activities by SAR 9,233 thousand in December 31, 2011G, is the cash flow resulting from proceeds of investment recoveries (SR 23,067 thousand).

The main reason is due to the increase in net cash from SAR 21,673 thousand in December 31, 2010G to SAR 34,722 thousand in December 31, 2011G, by SAR 13,049 thousand, up 60%, is the increase in net cash from investment activities.

### Statement of cash flows to shareholders' operations

SR '000	2011G	2010G	Change rate 10-11 (%)
Net cash used in operating activities	(11,796)	(10,463)	13%
Net cash from investing activities	46	300	(85%)
Decrease in cash	(11,750)	(10,163)	15%

The increase in net outflow cash used in operating activities from (SR 10,463) thousand in December 2010G to (SR 11,796) thousand in December 2011G, by SAR 1,333 thousand, up 13%, is due to decline in net cash payable to the insurance operations. The increase in cash shortage from SAR 10,163 thousand in December 31, 2010G to SAR 11,750 in December 31, 2011G is due to increase in cash outflows from operating activities.

## 8 - 6 Discussion of statements for the first quarter of 2012G

### Pro forma Financial Statements (unaudited)

As at

	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate %	Change rate %	Change rate %
	SR '000	SR '000	SR '000	SR '000	2011 -2012G	2010- 2011G	2009- 2010G
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
<b>INSURANCE OPERATIONS ASSETS</b>							
Cash and cash equivalents	71,651	52,300	1,732	—	37	2,920	—
Premiums and reinsurance receivable - net	13,135	8,781	7,239	—	50	21	—
Reinsurance share of outstanding claims	1,715	16,639	17,939	—	(89)	(7)	—
Reinsurance share of unearned premium	12,150	15,015	4,550	—	(19)	230	—
Deferred policy acquisition cost	20,763	18,656	99	—	11	18,744	—
Due from shareholders' operations	12,646	—	3,341	—	—	(100)	—
Prepayments, advances and other receivables	3,814	1,793	1,733	—	113	3	—
Furniture, fittings and equipment	5,052	5,437	5,642	—	(7)	(4)	—
Due from related parties	—	918	—	—	(100)	—	—
<b>Total insurance operations assets</b>	<b>140,926</b>	<b>119,539</b>	<b>42,275</b>	<b>—</b>	<b>18</b>	<b>183</b>	<b>—</b>
<b>SHAREHOLDERS' ASSETS</b>							
Cash and cash equivalents	13,492	14,912	434	53304	(10)	3,336	(99)
Prepayments, advances and other receivables	3,422	2,640	2,345	2002	30	13	17
Investments	2,877	2,877	26,953	—	—	(92)	—
Due from related parties	—	—	—	259	—	—	(100)
Furniture, fittings and equipment	—	—	—	1,934	—	—	(100)
Statutory deposit	10,000	10,000	10,000	10,000	—	—	—
			49,732	67,499		(39)	
<b>Total shareholders' assets</b>	<b>29,791</b>	<b>30,429</b>			<b>(2)</b>	<b>—</b>	<b>(26)</b>
							<b>36</b>
<b>Total assets</b>	<b>170,717</b>	<b>149,968</b>	<b>92,007</b>	<b>67,499</b>	<b>14</b>	<b>63</b>	<b>—</b>

Source: audited financial statements.

## Pro forma Financial Statements (unaudited)

As at

	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate %	Change rate %	Change rate %
	SR '000	SR '000	SR '000	SR '000	2011 -2012G	2010- 2011G	2009- 2010G
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
<b>INSURANCE OPERATIONS LIABILITIES AND DEFICIT</b>							
Outstanding claims	19,551	24,626	18,360	—	(21)	34	—
Reinsurance balance payable	10,373	4,866	3,482	—	113	39	—
Unearned premium	103,545	82,445	7,280	—	25	1,032	—
Unearned commission	2,109	2,445	1,013	—	(18)	141	—
Accrued expenses and other liabilities	3,794	2,809	8,030	—	35	(65)	—
Due from related parties			3,053	—		100	—
Employees' end of service benefits	1,554	1,515	1,057	—	3	43	—
Total insurance operations liabilities	140,926	118,706	42,275	—	19	181	—
Deficit from Insurance Operations	--	833	—	—	(100)	—	—
Total insurance operations liabilities and deficit	140,926	119,539	42,275		18	182	
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>							
<b>Shareholders' liabilities</b>							
Due to insurance operations	12,646	—	3,341	—	(100)	(100)	—
Accrued expenses and other liabilities	493	335	406	1,256	47	(17)	(68)
Employees' end of service benefits				1,763		—	(100)
Accrued zakat	798	811	1,295	616	(2)	(37)	110
Total shareholders' liabilities	13,937	1,146	5,042	3,635	1116	(77)	38
<b>Shareholders' equity</b>							
Share Capital	100,000	100,000	100,000	100,000	—	—	—
Accumulated loss	(84,146)	(70,717)	(55,310)	(33,259)	20	27	66
Cumulative change in fair value of investment	—	—	—	(2,877)		—	(100)
Total Shareholders' equity	15,854	29,283	44,690	63,864	(46)	(34)	(30)
Total shareholder's liabilities and equity	29,791	30,429	49,732	67,499	(2)	(39)	(26)
Total liabilities, Insurance Operations deficit and Shareholders' equity	170,717	149,968	92,007	67,499	13	63	36

Source: Audited financial statements.

## 8 - 6 - 1 Assets

### 8 - 6 - 1 - 1 Assets of insurance operations

Total assets of insurance operations increased from SAR 119,539 thousand in March 31, 2011G to SAR 140,926 thousand in March 31, 2012G, with a growth rate of 18%, mainly due to the increase in cash and cash equivalents by 37%, with an amount of SAR 19,351 thousand.

Following is a brief explanation of each item of insurance operations assets:

#### 8 - 6 - 1 - 2 Cash and cash equivalents

The cash and cash equivalents for insurance operations are represented in cash on hand as well as balances of Company's accounts with banks. Cash grew by 37% with SAR 71,651 thousand in March 31, 2012G, as compared to SAR 52,300 thousand in March 31, 2011G. The increase of in cash balances is due to increase of sales in the consolidated policy of compulsory vehicle insurance.

#### 8 - 6 - 1 - 3 Accounts receivable for insurance and reinsurance premiums

This item represents the balances of customers to whom the Company sells insurance policies and also accounts receivables for re-insurance companies represented in their share in losses that they will repay to Company. This is in addition to provision for doubtful debts, which is deducted from the total customer balance and reinsurance companies balances.

The total balances of insurance and reinsurance premiums amounted to SAR 13,135 thousand in March 31, 2012G as compared to SAR 8,781 thousand in March 31, 2011G, representing an increase by 50%, because the Company expanded, during the second half of 2011G and the first quarter of 2012G, in the sales of corporate policies and this type of sales is classified as credit sales. There is no material change in provision for doubtful debts, amounting to SAR 977 thousand in March 31, 2012G compared to SAR 593 thousand as at March 31, 2011G, representing an increase of SAR 384 thousand, up 64%.

#### 8 - 6 - 1 - 4 Reinsurance share of outstanding claims under settlement

This item is in the share of reinsurance claims which final settlement has not been completed on that date. The share of outstanding reinsurance claims amounted SAR 1,715 thousand in March 31, 2012G compared to SAR 16,639 thousand in March 31, 2011G, down by 89%. The decrease in this account is because of the decline in the value of outstanding claims under the settlement that has re-insurance, related to Jeddah floods in January 26, 2001, as there is a claim for Alam Almira Co. because of losses caused to the carpet, and classified under fire insurance.

#### 8 - 6 - 1 - 5 Reinsurance share of unearned premiums

The share of re-insurance premiums from unearned re-insurance premiums is represented in share of reinsurance companies from insurance premiums for financial period ended March 31, 2012G.

The share of re-insurance from unearned insurance premiums amounted SAR 12,150 thousand in March 31, 2012G, as compared to SAR 15,015 thousand in March 31, 2011G, with a decrease of 19%.

#### 8 - 6 - 1 - 6 Cost of acquiring deferred insurance policies

The costs of acquiring deferred insurance policies amounted to SAR 20,763 thousand in March 31, 2012G, as compared to SAR 18,656 thousand in March 31, 2011G, with an increase of 11%.

#### 8 - 6 - 1 - 7 Furniture and fixtures

The value of furniture, fixtures and equipment amounted to SAR 5,052 thousand in March 31, 2012G, as compared to SAR 5,437 thousand in March 31, 2011G, up 7%, due to payment made by the Company for certain fixed assets, new servers and computers.

#### 8 - 6 - 1 - 8 Prepayments, advances and other receivables

The value of prepayments, advances and other receivables amounted to SAR 3,814 thousand in March 31, 2012G, as compared to SAR 1,793 thousand, with an increase of 112%, due to the increase in balances of vendor accounts and advance payments for TPA as well as advance payments for offices and points of sale rentals.

#### 8 - 6 - 1 - 9 Receivables from related parties

The value of receivable from related parties is nothing in March 31, 2012G, as compared to SAR 918 thousand in March 31, 2011G, down 100%, and that was due to collection or receivables from them because of issuing insurance policies for them.

#### 8 - 6 - 1 - 10 Receivables from shareholders' operations

These balances represent amounts receivable from shareholders account for the benefit of insurance operations account, and this value amounted to SAR 12,646 thousand in March 31, 2012G, as compared to nil in March 31, 2011G.

#### 8 - 6 - 1 - 11 Shareholders' assets

Shareholders' assets reached SAR 29,791 thousand in March 31, 2012G, as compared to SAR 30,429 thousand in March 31, 2011G, with an immaterial increase of 2%.

#### 8 - 6 - 2 Total Assets

Total assets amounted to SAR 170,717 thousand in March 31, 2012G, as compared to SAR 149,968 thousand in March 31, 2011G, with an increase of 14%, mainly due to increase in cash balances and equivalent.

#### 8 - 6 - 3 Deficit and liabilities of the insurance operations

##### 8 - 6 - 3 - 1 Outstanding claims under settlement

They represent outstanding claims under settlement which have not been completely settled until March 31, 2012G and its final value is still not specified.

Outstanding claims under settlement amounted to SAR 19,551 thousand in March 31, 2012G as compared to SAR 24,626 thousand in March 31, 2011G, down 21%, due to decline in outstanding claims under the settlement in March 31, 2012G. The increase in outstanding claims under settlement is due to Jeddah floods in January 2011G, which resulted in loss of carpet for Alam Elmira Co. and these claims are under settlement in March 31, 2011G.

##### 8 - 6 - 3 - 2 Reinsurance Accounts Payables

Reinsurance payables in balances due to insurance Company because of re-insurance premiums after deduction of re-insurance commissions due to ACIG Company as well as deduction of re-insurance share in claims.

Reinsurance balances amounted to SAR 10,373 thousand in March 31, 2012G as compared to SAR 4,866 thousand in March 31, 2011G, up 113%, due to the growth in the Company's business activities where there is reinsurance such as general insurance and fire insurance.

##### 8 - 6 - 3 - 3 Unearned premiums

Unearned premiums amounted to SAR 103,545 thousand in March 31, 2012G compared to SAR 82,445 thousand in March 31, 2011G, with an increase of 25%, due to increase in sales of vehicles compulsory insurance policies from 01/04/2011G till 31/03/2012G, compared to the same period .

##### 8 - 6 - 3 - 4 Accrued expenses and other liabilities

Accrued expenses and other liabilities amounted to SAR 3,794 thousand in March 31, 2012G as compared to SAR 2,809 thousand in March 31, 2011G, with an increase of 35%, because of the increase in balances due to service providers.

##### 8 - 6 - 3 - 5 Total deficit and liabilities of insurance operations

Total deficit and liabilities of the insurance operations amounted to SAR 140,926 thousand in March 31, 2012G, as compared to SAR 119,539 thousand in March 31, 2011G, with an increase of 18%, mainly due to increase in the balances of Reinsurance accounts payable, in addition to the increase in earned premiums, compared to last year.

##### 8 - 6 - 3 - 6 Shareholders Liabilities

#### Receivables for Insurance operations:

Accounts Receivable for insurance operations are represented in amounts repayable from shareholders' operations account. The receivable for insurance operations amounted to SAR 12,646 thousand in March 31, 2012G as compared to none in March 31, 2011G.

#### Accrued Zakat:

The accumulated zakat accumulated on the Company amounted to SAR 798 thousand in March 31, 2012G, compared to SAR 811 thousand in March 31, 2011G, down 2%.

#### 8 - 6 - 4 Total shareholders' liabilities:

Total shareholders' liabilities amounted to SAR 13,937 thousand in March 31, 2012G as compared to SAR 1,146 thousand in March 31, 2011G, with an increase of 1116%. The reason for the increase in shareholders' liabilities is due to significant increase in the receivable for insurance operations.

## Shareholders' equity

Statement (value in thousand riyals)	31 March 2012G	31 March 2011G	Change rate
Share Capital	100,000	100,000	—
Accumulated loss	(84,146)	(70,717)	20%
<b>Total shareholders' equity</b>	<b>15,854</b>	<b>29,283</b>	<b>(46)%</b>

Source: Audited Financial Statements.

The following is explanation of shareholders' equity items:

- Capital:

The Company's capital is SR100 million divided into 10 million ordinary shares of nominal value of SR10 per share. Founders subscribed in 60% of the shares representing 6 million ordinary shares, and the public subscribed in the remaining 4 million shares, which represent 40% of the Company ordinary shares. After lifting lock-up on shares, some founders sold their shares and the percentage of shares owned by founders decreased from 60% to 44%.

- Accumulated losses:

Accumulated losses amounted to SAR 84,146 thousand in March 31, 2012G as compared to SAR 70,717 thousand in March 31, 2011G. The accumulated losses is represented in the net losses realized for the current period and previous periods, in addition to Zakat charged to this account.

The reasons for the losses are due to the initial years, as the Company started recruitment and expansion prior taking approval of the products and services by SAMA. After almost a year of the Company's incorporation, it received approval for its products, and the Company began to sell and generate revenues and reduce losses. The Company has developed investment and strategic plans, including innovative products and services, which are expected to reinforce the position of Saudi ACIG and make it secure good base of customers.

- Total Liabilities and Shareholders' Equity:

Liabilities and total shareholders' equity totaled SAR 29,791 thousand in March 31, 2012G, as compared to SAR 30,429 thousand in March 31, 2011G, with immaterial change of 2% increase.

- Total liabilities, deficit of insurance operations and shareholders' equity:

Total liabilities, deficit of insurance operations and shareholders' equity amounted to SAR 170,717 thousand in March 31, 2012G as compared to SAR 149,968 thousand in March 31, 2011G.

## Proforma Insurance Operations and Accumulated Surplus Statements (unaudited)

For the period ended

	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate %	Change rate %	Change rate %
	SR '000	SR '000	SR '000	SR '000	2011 -2012G	2010- 2011G	2009- 2010G
<b>REVENUE</b>							
Gross written premium	67,771	47,663	5,935	—	42	603	—
Premium ceded	(7,336)	(8,952)	(3,980)	—	(18)	125	—
Retained written premium	60,435	38,711	1,955	—	56	1880	—
Net movement in unearned premium	(21,616)	(15,527)	(844)	—	39	1740	—
Excess of loss premium	(1,170)	(546)	(98)	—	114	457	—
Net earned premium	37,649	22,638	1,013	—	66	2134	—
Reinsurance commission earned	820	1,081	356	—	72	203	—
<b>Total insurance revenue</b>	<b>38,469</b>	<b>23,719</b>	<b>1,369</b>	<b>—</b>	<b>62</b>	<b>1632</b>	<b>—</b>



	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate %	Change rate %	Change rate %
	SR '000	SR '000	SR '000	SR '000	2011 -2012G	2010- 2011G	2009- 2010G
<b>CLAIMS</b>							
Gross claims paid	25,425	8,884	7,538		186	18	—
Claims recovered from reinsurance	(1,118)	(334)	(7,454)	—	235	(95)	—
Net claims paid	24,307	8,550	84	—	184	10,078	—
Net movement in outstanding claims	(859)	1,491	116	—	—	1,185	—
Net claims incurred	23,448	10,041	200	—	133	4,920	—
Policy acquisition cost	10,228	6,238	45	—	64	13,762	—
	33,676	16,279	245	—	107	6544	
<b>Net underwriting result</b>	<b>4,793</b>	<b>7,440</b>	<b>1,124</b>	<b>—</b>	<b>(35)</b>	<b>562</b>	<b>—</b>
General and administrative expenses	(7,489)	(6,649)	(6,059)	—	12	10	—
Other income	--	42	—	—	(100)	—	—
Deficit from insurance operations	(2,696)	833	(4,935)	—	—	—	—
Deficit transferred to shareholders' operations	2,696	--	4,935	—	—	(100)	—
<b>Accumulated Surplus at the end of the period</b>	<b>—</b>	<b>833</b>	<b>—</b>	<b>—</b>	<b>(100)</b>	<b>—</b>	<b>—</b>

Source: Audited Financial Statements.

## Proforma Overall Income Statement for Shareholders (unaudited)

For the period ended

	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate %	Change rate %	Change rate %
	SR '000	SR '000	SR '000	SR '000	2011 -2012G	2010- 2011G	2009-2010G
Deficit from insurance operations	(2,696)	--	(4,935)		—	(100)	—
<b>EXPENSES</b>						—	
General and administrative expenses	(271)	(162)	(114)	(5,785)	67	42	(98)
	(2,967)	(162)	(5,049)	(5,785)	1,731	(97)	(12)
Investment and other income	--	36	76	181	(100)	(53)	(58)
Net loss for the period	(2,967)	(126)	(4,973)	(5,604)	2,255	(97)	(11)
<b>Other comprehensive income/(expense)</b>							
Zakat for the three month period	(250)	(147)	—	—	70	—	—
Comprehensive loss for the period	(3,217)	(273)	(4,973)	(5,604)	1,078	(95)	(11)
Weighted average number of ordinary shares outstanding (in thousands)	10,000	10,000	10,000	10,000	—	—	—
Loss per share (Saudi Arabian Riyals)	(0.30)	(0.01)	(0.49)	(0,056)	—	—	—

Source: Audited Financial Statements.

## 8 - 6 - 5 Insurance operations and accumulated surplus statement

- Total written premiums:

Total written premiums amounted to SAR 67,771 thousand in March 31, 2012G as compared to SAR 47,663 thousand in March 31, 2011G, 42%, due to increase in sales of third party vehicle insurance liability policies during this period compared to the same period of last year.

- Gross written premiums (Value in SAR thousand):

Statement	March 2012G	March 2011G
Gross written premiums	67,771	47,663
These are divided as follows:		
Cars	58,330	37,079
Medical	615	26
General accidents	6,100	4,221
Other	2,726	6,337

Source: the Company.

- Reinsured Premiums (Value in SAR thousand):

Statement	March 2012G	March 2011G
Reinsured premiums	7,336	8,952
These are divided as follows:		
Cars	90	81
Medical	241	-
General accidents	4,719	2,997
Other	2,286	5,874

Source: the Company.

- Excess of loss premiums (Value in SAR thousand):

Statement	March 2012G	March 2011G
Excess of loss premiums	1,170	546
These are divided as follows:		
Cars	1,046	441
Medical	22	-
General accidents	28	12
Other	74	93

Source: the Company.

- Reinsurance commission earned (Value in SAR thousand):

Statement	March 2012G	March 2011G
Reinsurance commission earned	820	1,081
These are divided as follows:		
Cars	-	-
Medical	-	63
General accidents	233	206
Other	587	812

Source: the Company.

- Total revenues:

Total insurance revenues amounted to SAR 38,469 thousand in March 31, 2012G as compared to SAR 23,719 thousand in March 31, 2011G, with an increase of 62%. This is due to increase in total written premiums of SAR 20 million, in addition to the increase in net movement of earned premiums of SAR 6 million and decrease in earned reinsurance commission of SAR 260 thousand.

- Total revenues (in thousands of Riyals):

Statement	March 2012G	March 2011G
Total Revenues	38,469	23,719
These are divided as follows:		
Cars	35,947	20,217
Medical	346	653
General accidents	1,429	1,673
Other	749	1,176

Source: the Company.

## Claims:

- Net claims paid:

Total net claims paid amounted to SAR 24,307 thousand in March 31, 2012G as compared to SAR 8,550 thousand in March 31, 2011G, up 184%. The reason for that is the increase in claims paid for automotive sector, where claims paid for cars reached SAR 23,680 thousand in March 31, 2012G as compared to SAR 8,438 thousand in March 31, 2011G, up 181%, due to increase in the value and amount of claims paid.

- The costs of acquiring insurance policies:

The costs of acquiring insurance policies amounted to SAR 10,228 thousand in March 31, 2012G as compared to SAR 6,238 thousand in March 31, 2011G, an increase of 64%, due to the increase in sales commission of insurance policies to the agents as automotive insurance sales hit SAR 9,806 thousand in March 31, 2012G as compared to 5,964 thousand in March 31, 2011G, up 64%.

- Net underwriting results (Value in thousand Riyals):

Net subscription value (Value in SAR thousand)

Statement	March 2012G	March 2011G
Net underwriting results	4,793	7,440
These are divided as follows:		
Cars	2,835	4,486
Medical	221	503
General accidents	962	1,429
Other	775	1,022

- General and administrative expenses:

General and administrative expense amounted to SAR 7,489 thousand in March 31, 2012G compared to SAR 6,649 thousand, with an increase of 12% , due to increase in the number of directors and senior management.

- Deficit in the insurance operations:

Deficit in the insurance operations amounted to SAR 2,696 thousand in March 31, 2012G as compared to SAR 833 thousand in March 31, 2011G due to increase in the quantity and value of claims paid for the automotive sector in the first quarter of 2012G compared to first quarter of 2011G.

- Proforma comprehensive shareholders' income statement:

- Comprehensive loss for the period:

Comprehensive loss for the period amounted to SAR 3,217 thousand in March 31, 2012G as compared to SAR 273 thousand in March 31, 2011G, an increase SAR 1,078%, and that increase in loss is due to increase in the deficit from insurance operations (described in paragraph “Deficit in insurance operations” above). This is also due to that the profit resulting from the operation could not cover general and administrative expenses (explained in paragraph “general and administrative expenses” above).

### Proforma Cash Flows Statement for insurance operations (unaudited)

For three months period ended

	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate % 2011 -2012G	Change rate % 2010- 2011G	Change rate % 2009-2010G
	SR '000	SR '000	SR '000	SR '000			
<b>OPERATING ACTIVITIES</b>							
Net deficit/surplus for the period from Insurance operations	--	833	—	—	—	—	—
Adjustments for:							
Depreciation	306	275	242	—	11	14	—
Investment income	--	(47)	—	—	(100)	—	—
Loss on disposal of furniture, fittings and equipment	--	5	—	—	(100)	—	—
Employees' end of service benefits, net	127	95	252	—	33	(62)	—
	433	1,162	—	—	(63)	—	—
<b>Changes in assets and liabilities:</b>							
Premiums and reinsurance receivable – net	(4,299)	7,137	—	—	—	—	—
Due from policyholders	—	—	(3,538)	—	—	(100)	—
Reinsurance share of unearned premium	(728)	(1,162)	6,971	—	(37)	—	—
Reinsurance share of outstanding claims	146	(9,012)	(2008)	—	—	348	—
Deferred policy acquisition cost	(2,928)	(4,0522)	10	—	(35)	—	—
Due from shareholders' operations	(3,179)	9,884	(4,086)	—	—	—	—
Prepayments, advances and other receivables	(1,037)	(882)	(41)	—	18	2,051	—
Outstanding claims	(1,005)	10,504	(6,857)	—	—	—	—
Reinsurance balance payable	3,026	(7,930)	953	—	—	—	—
Unearned premium	22,344	16,689	2,852	—	34	485	—
Unearned commission	245	52	385	—	371	(86)	—
Accrued expenses and other liabilities	385	(232)	5,472	—	—	—	—
Due to a related party	--	(2,940)	29	—	(100)	—	—
Net cash from operating activities	13,403	18,747	636	—	(28)	2,847	—
<b>INVESTING ACTIVITIES</b>							

	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate %	Change rate %	Change rate %
	SR '000	SR '000	SR '000	SR '000	2011 -2012G	2010- 2011G	2009-2010G
Purchase of investment	--	(13,000)	—	—	(100)	—	—
Proceeds from redemption of investment	--	23,067	—	—	(100)	—	—
Purchase of furniture, fittings and equipment	(136)	(176)	(893)	—	(23)	(80)	—
Net cash from investing activities	(136)	9,891	(893)	—	—	—	—
Increase in cash and cash equivalents	13,267	28,638	(257)	—	(53)	—	—
Cash and cash equivalents at 1 January	58,384	23,662	1,989	—	146	1,089	—
Cash and cash equivalents at 31 March	71,651	52,300	1,732	—	37	2,919	—

### Proforma Cash Flows Statement for shareholders' operations (unaudited)

For three months period ended

	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate %	Change rate %	Change rate %
	SR '000	SR '000	SR '000	SR '000	2011 -2012G	2010- 2011G	2009-2010G
<b>OPERATING ACTIVITIES</b>							
Net loss for the period	(2,967)	(126)	(4,973)	(5,604)	2,255	97	(11)
Adjustment for	—	—	—	—	—	—	—
Depreciation	—	—	—	77	—	—	(100)
Employees' end of service benefits	—	—	—	152	—	—	(100)
Investment income	--	(30)	(76)	—	(100)	(60)	—
	(2,967)	(156)	—	(5,375)	1,802	—	—
<b>Changes in assets and liabilities :</b>							
Prepayments, advances and other receivables	(302)	(295)	—	579	2	—	(100)
Increase in due from related parties	—	—	—	(259)	—	—	(100)
Decrease in due to related parties	—	—	—	(4,139)	—	—	(100)
Due to insurance operations	3,179	(9,884)	4,086	—	—	—	—
Accrued expenses and other liabilities	90	(41)	(8)	(336)	—	412	(97)
Net cash used in operating activities	—	(10,330)	(971)	(9,560)	100	964	(89)
<b>INVESTING ACTIVITIES</b>							
Purchase of trading investments	--	(24,800)	(34,000)	(500)	(100)	(27)	6,700

	31 March 2012G	31 March 2011G	31 March 2010G	31 March 2009G	Change rate %	Change rate %	Change rate %
	SR '000	SR '000	SR '000	SR '000	2011 -2012G	2010- 2011G	2009-2010G
Purchase of furniture, fittings and equipment	—	—	—	(339)		—	(100)
Proceeds from redemption of trading investments	--	24,846	—	—	(100)	—	—
Net cash from investing activities	--	46	(34,000)	(839)	100	—	3,952
Net decrease in cash and cash equivalents	--	(10,330)	(34,971)	(10,399)	100	(70)	236
Cash and cash equivalents at 1 January	13,492	25,242	(35,405)	63,703	47	—	—
Cash and cash equivalents at 31 March	13,492	14,912	434	53,304	(10)	3,335	(99)

Source: Audited Financial Statements.

## 8 - 6 - 6 Cash Flows Statement

- Cash Flows statement for the insurance operations

Statement ( value in thousand riyals)	31 March 2011G	31 March 2010G
Net cash from operating activities	13,403	18,747
Net cash from investing activities	(136)	9,891
Increase in cash and cash equivalents	13,267	28,638
Cash and cash equivalents at 1 January	58,384	23,662
Cash and cash equivalents at 31 March	71,651	52,300

Source: Audited Financial Statements.

- Net cash generated from operating activities:

Net cash from operating activities amounted to SR13,403 thousand in March 31, 2012G compared to SAR 18,748 thousand in March 31, 2011G, down 28%, due to cash outflows during the first quarter of 2012G for receivables of insurance premiums and reinsurance and due from shareholders' operations, compared to cash inflows during the first quarter of 2011G for these accounts.

- Net cash used in the output of investment activities:

Net (cash used) in the output of investment activities amounted to (SR 136) thousand in March 31, 2012G compared to SAR 9,891 thousand in March 31, 2011G. This is due to the shift from net cash flow generated to net cash flow used until liquidation of investments in short-term Murabaha of SAR 23,067 thousand made during the first quarter of 2011G.

- Increase in cash and cash equivalents:

Increase in cash and cash equivalents amounted to SAR 13,267 thousand in March 31, 2012G compared to SAR 28,638 thousand in March 31, 2011G, down 53%, due to the decline in cash inflows during the first quarter of 2012G due to decrease of receivable from shareholders' operations, compared to cash inflows during the second quarter of 2010G, where there is an increase in cash flow resulting from receivables of insurance and reinsurance operations premiums and subscription transactions and proceeds of recovering investments.

- Cash flow statement for the shareholders' operations:

Statement (value in thousand riyals)	31 March 2012G	31 March 2011G
Net cash from operating activities	-	(10,376)
Net cash from investing activities		46
Decrease in cash and cash equivalents		(10,330)
Cash and cash equivalents at 1 January	13,492	25,242
Cash and cash equivalents at 31 March	13,492	14,912

Source: Audited Financial Statements.

- Net cash used in operating activities:

Net cash used in operating activities was zero in March 31, 2012G, as compared to SAR 10,367 thousand in March 31, 2011G. The decrease in net cash generated from operating activities is due to cash flow used in receivable to insurance transactions valued at SAR 9,884 thousand in the first quarter of 2011G, while there is a cash flow resulting from receivable to insurance transaction of SAR 3,179 thousand in the first quarter of 2012G.

- Net decrease in cash and cash equivalents:

Net decrease in cash and cash equivalents was zero in March 31, 2012G compared to SAR (10,330) thousand in March 31, 2011G, due to cash flows used in account receivable to insurance transactions.

## 9. Variation of Share Price due to Capital Raise

The Company's Share Price as at the publishing date of this Prospectus stands at SAR 56.50, and it is anticipated to reach SAR 33.30 after the Offering, the impact on Shareholders will be a decrease of 41%.

The following table depicts the variation in the Company's Share Price after the Offering:

Current Share Price (SAR)	Increase/ Decrease in Share Price After Offering	Impact
56.50	33.30	-41%
Company Shares before Offering	Company Shares after Offering	Increase of Share Capital by (%)
10,000,000	20,000,000	100%

Source: Financial Advisor



## 10. Accumulated Losses

The accumulated losses of the Company amounted to SAR 84,146 thousand in March 31, 2012G as compared to SAR 70,717 thousand in March 31, 2011G. The accumulated losses of the Company represent the net realized losses for the current and previous periods in addition to Zakat charged to this account. According to the requirements of Article 148 of the Companies Regulations, which stipulates that if the company's losses exceed 75% of its capital, the Board of Directors should call upon convening an Extraordinary General Assembly to consider the continuation of the company or its liquidation before its term specified in its By-laws. Based on the recommendation of the Board of Directors to keep the Company, the Board called for convening the Extraordinary General Assembly. The first EGA failed to convene due to lack of quorum, but it was convened in the second time on Monday 21/07/1433H corresponding to 11/06/2012G and decided by a majority vote (99.99%) to approve the continuation of the Company in business and delegates of the Board of Directors to take the necessary measures to that effect with the competent authorities. The Ordinary General Assembly also approved the financial statements of the Company for the year ended 31/12/2011G at its Fourth Ordinary General Assembly meeting (for the second time) held on Monday 21/7/1433H corresponding to 11/6/2012G.

The losses were caused during the initial years as the Company incurred an amount of SAR 3,112 million as transaction costs to raise capital to SAR 100 million through an initial public offering. The Company began hiring people and expanding its activities (the table below shows that the costs in that period were SAR 25 million) before obtaining approval of products and services from SAMA. After almost a year of establishing the Company, it received approval for its products, and began to sell and generate income and managed to reduce its losses by more than SAR 14 million during the past three years (from SAR 24 million in 2009G to SAR 9 million in 2011G). The Company has also developed investment strategic plans, including innovative products and services, which is expected to reinforce its position and gain a good base of customers.

The following table includes the costs of establishing the Company in the initial period (SR):

Advertisement Expense	Salaries and other benefits
Board and Audit Committee Expenses - Fees for attending meeting	Travel expenses
	Office Rent
Depreciation	Current and maintenance expenses
Audit fees	Professional and legal fees
Feasibility study fees	Contribution / subscription expenses
L/G expenses	Registration expenses
Risk Management fees	Utility expenses
	Total 25,537,000

Source: Audited Financial Statements for the Period ending 31 December 2008G

## 11. Description of Shares

### 11 - 1 Share Capital

The share capital of the Company is SAR 100,000,000 consisting of SAR 10,000,000 shares, at a nominal value of SAR 10 per share, all of which are ordinary cash shares.

Founding Shareholders subscribed for 6,000,000 shares and paid their value in full which is SAR 60,000,000. The remaining shares, i.e. 4,000,000 shares were offered for public subscription on 22/07/2007G..

After obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares of the same nominal value as the original shares, provided that the original shares have been paid in full, with due consideration to the requirements of Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Regulations, and CMA Law. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original shareholders who applied for more shares than held by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. Any remaining new shares shall be offered for public subscription.

The Company may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry, CMA and SAMA. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

### 11 - 2 Transfer of Company Shares

The Company's Shares shall be nominal shares and may not be issued at less than their nominal value.

All Shares are tradable according to the guidelines, rules and regulations issued by CMA. During the Lock-up period, cash shares may be transferred according to the provisions of rights sale from a Founding Shareholder to another Founding Shareholder or a Board Member to be used as guarantee shares, or from heirs of a Founding Shareholder if he died to third parties.

The lock-up period for the Founding Shareholders has expired on 31/12/2010G. The Founding Shareholders received the approval of CMA and SAMA to lift the restriction on their shares, except for the following shareholders: ACIG Bahrain and the Islamic Development Bank. The shareholders will be subject to the restriction currently applied on their current shares and Rights Issue Shares in the event of their subscription in the Rights Issue Shares. The restriction will be lifted upon approval from the CMA and SAMA.

The Company's By-Laws have not provided for restrictions on trading of shares other than what is stated in Article (10) of the Company By-Laws. The Company's By-Laws have not addressed the ability of the Company to buy back its shares and therefore it should be referred to the Companies Regulations, specifically Article (104), which permits the Company to buy its shares, provided that the price shall be less than the nominal value of the Share or equal to this value if the project is consumed gradually or if it is based on temporary rights, based on Article (105) of the Companies Regulations that authorizes the Company to buy its shares if the purpose of purchasing is consumption of shares or reducing the Share Capital or if the shares are part of a group of funds that are purchased by the Company from its assets and liabilities.

## 11 - 3 Shareholders Rights

### 11 - 3 - 1 Voting Rights

The company issued only one category of shares and there is no preference rights for any shareholder with respect to voting. Each Shareholder holding twenty (20) Shares or more shall have the right to attend and vote at the General Assembly. A shareholder may delegate another shareholder, other than the members of the Board of Directors, to attend the General Assembly on his behalf.

### 11 - 3 - 2 Distribution of Profits / Dividends

Any decision to distribute cash profits will be subject to the authority and recommendations of the Board of Directors and will depend on, amongst other things, the financial position of the Company, undertakings that restrict the distribution of profits based on agreements made by the Company, the results of the Company's operations, current and projected cash flow requirements and future expansions. However, the Company's Articles of Association stipulate the following regarding shareholders' profits.

- Zakat and tax allocations are to be withheld;
- Twenty percent (20%) of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the said reserve totals to the entire Paid-up Capital.
- The Ordinary General Assembly may, upon request of the Board of Directors, set aside an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly.
- Out of the balance of the profits, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) of the Paid-up Capital.
- The balance shall be distributed among the Shareholders as an additional share of the profits or transferred to Retained Earnings account.
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection (4) above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

The Company shall notify the Capital Market Authority without delay of any decisions to distribute profits or any recommendation to do so, and shall obtain any approval that may be required from the competent authorities in this regard.

Since it started its operations, the Company has not announced any distribution of dividends. The new shares will be entitled for the profits announced by the Company starting from the day of private offering until the end of the fiscal year.

## 11 - 4 Shareholders' General Assemblies

General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located.

Meetings of the General Assembly may be conducted by way of ordinary or extraordinary meetings. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. More general assemblies may be convened whenever necessary.

The Extraordinary General Assembly shall be empowered to amend the Company's articles of association (except for the provisions that are not permitted to be amended by the applicable regulations). It shall have the power to adopt resolutions concerning the matters falling within the ambit of the Extraordinary General Assembly.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least 25 days prior to the time set for such meeting. Invitation may only be addressed in the said timing by registered letters to shareholders and a copy of the invitation as well as the agenda shall be sent to the competent authorities within the specified period.

The meeting of the Ordinary General Assembly shall not have the required quorum unless attended by Shareholders holding at least 50% of the Company's share capital. If such quorum cannot be attained at the first meeting, an invitation should be sent out for a second meeting to be held within thirty days following the previous meeting. The initiation shall be announced in the manner stipulated in Article 88 of the Companies Regulation and the second meeting shall be valid no matter how many shares are represented in it.

To have a quorum, the meeting of the Extraordinary General Assembly should be attended by Shareholders representing at least 50% of the Company's capital. If such requirement is not met in the first meeting, a second meeting shall be convened within 30 days. The second meeting shall be deemed valid irrespective of the number of shares represented.

The General Assembly shall be presided over by the Chairman of the Board of Directors, or the Director designated by him if he is absent. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes of the General Assembly shall be drawn up containing the names of the Shareholders present or represented, the number of shares held by them in person or by proxy, the number of votes, the resolutions adopted, the number of votes which approve

or oppose them and a detailed summary of the discussion that took place at the General Assembly. The minutes shall be regularly drawn up after each meeting in a special minute book to be signed by the General Assembly's Chairman, Secretary and Canvasser.

## 11 - 5 Dissolution and Winding-up of the Company

Upon the expiry of the Company's period of duration, or if it is dissolved prior to the time set for the expiry therefore, the Extraordinary General Assembly shall, based on a proposal by the Board, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees.

The powers of the Board shall cease upon the Company's expiry. However, the Board shall remain responsible for the management of the Company until the liquidators are appointed.

Upon liquidation, the subscribers' rights in excess amounts of insurance operations and reserves made in accordance with the Company's By-Laws shall be taken into consideration.

## 11 - 6 Distribution of Profits / Dividends Policy

Dividends may be distributed by the Company from its annual net profit after Zakat and will be calculated from the Company's net profit after providing for policyholder's share of profit. However, prior to the payment of dividends, the Company is required to deduct twenty (20%) percent of the net profit after Zakat and allocate such amount to statutory reserves. The Ordinary General Assembly may discontinue said deduction when it amounts to half of the Company's paid-up capital.

Any declaration of dividends will be dependent upon the Company's earnings, its financial condition, the condition of the markets, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, and the effect of such dividends on the Company's Zakat position, as well as other legal and regulatory considerations.

Although the Company intends to distribute profits to its Shareholders, but it does not guarantee to distribute any profits nor does it guarantee the amount that will be distributed in any particular year.

The distribution of dividends is subject to certain limitations contained in the Company's ByLaws (See "Summary of the Company's By-laws" section). The New Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and subsequent fiscal years.

The Company has not distributed any dividends since incorporation.

## 11 - 7 Capital Expenses, Share Capital and Indebtedness

The Share Capital of the Company is SAR 100,000,000 comprises 10,000,000 Shares, at a nominal value of SAR 10 per share. The Company has reviewed its working capital requirements that are likely to apply to work for the next twelve months. It considers that it would have sufficient financial working capital during this period.

The members of the Board of Directors emphasized that the Company has no debt instruments, term loans or contingent liabilities as at the date of this Prospectus. The Company stresses that it does not have any assets or subsidiaries that are subject to right option.

## 11 - 8 Use of Proceeds

The Company must use the net Offering proceeds to meet the requirements of solvency margin and statutory reserve in accordance with Articles 48, 58 and 66 to 69 of the Implementing Regulations of the Cooperative Insurance Companies Control Law. The Company will bear all Offering expenses.

The following table shows the fulfillment of the requirements of solvency margin and statutory reserve in accordance with Articles 48, 58 and Articles 66 to 69 of the Implementing Regulations of the Cooperative Insurance Companies Control Law:

Summary of Required Amounts	SAR million				
	2012G	2013G	2014	2015G	Total
Solvency and Statutory Reserve	30	21	25	30	106
Rights Offering Expenses					10
Share Capital Less Accumulated Losses					(16)
Total					100

Source: the Company

After finalizing the process of raising Capital, the Company shall fulfill the requirements of Article 30, paragraph (c) of the Listing Rules issued by the Board of the Capital Market Authority on 20/08/1425H corresponding to 04/10/2004G, as amended on 28/02/1433H corresponding to 01/22/2012G, by providing to the CMA a quarterly report on the progress of using the proceeds of the rights issue and announcing the developments of using such proceeds to the public.

## 11 - 8 - 1 Net Proceeds

The total proceeds from the Offering are estimated at SAR 100,000,000. The Company's expenses in connection with the Offering are estimated to be SAR 10,000,000, including fees of each of the financial advisor, legal advisor, reporting accountants, in addition to Receiving Agents expenses, Lead Manager, Underwriter, marketing expenses, printing and distribution expenses and other Offering related expenses. These expenses will be paid by the Company.

### Use of Offering Proceeds

	Description	Amount	
1-	Statutory Reserves*	10,000,000	
2-	Offering Expenses	10,000,000	
3-	Investments	80,000,000	"See Proposed Investment Plan (2012G) below"
	Total Offering Proceeds	100,000,000	

Source: the Company

\* Pursuant to CICCL, the Statutory Reserve must be 10% of the Paid up Capital. ACIG will maintain an amount of SAR 10 million as a paid up statutory reserve after the raise of paid Up Capital. Total Statutory Reserve after raising the Share Capital will be SAR 20 million or 10% of the paid up Capital (SAR 200 million).

## 1- Proposed Investment Plan (2012G)

ACIG intends to use the proceeds in raising capital and entering in lucrative investments in accordance with the investment vehicles stated in the CICCL. The estimated value of investment is around SAR 80 million, distributed as follows:

S/N	Description	Value (SAR)
1-	Investments in Short-Term Investment Portfolio (50%)	40,000,000
2-	Investment in long-time notes and investments (35%)	28,000,000
3-	Investments in Equities and other investment vehicles (15%)	12,000,000
	Total Offering Proceeds	80,000,000

Source: the Company.

## 11 - 8 - 2 Use of Offering Proceeds

Insurance companies in Saudi Arabia are subject to the provisions and regulatory requirements of the Saudi Arabian Monetary Agency. All insurance companies conduct business in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations on different terms and multiple related specific demands for the integration of capital with insurance companies and departments as follows:

- The minimum paid-up capital of the insurance company shall not be less than one hundred million Saudi Riyals, and the paid-up capital of the re-insurance company or the insurance company that is engaged at the same time with re-insurance activity shall not be less than two hundred million Saudi Riyals. The share capital may not be amended without the approval of SAMA and according to the Companies Regulations.
- Articles 66 and 67 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, call upon insurance and reinsurance companies to maintain a required level of capital and level of solvency margin respectively.
- Article 48 of the Implementing Regulations of the Cooperative Insurance Companies Control Law stipulates that the company's written premiums may not exceed its total paid-up capital and reserves without the prior written consent of SAMA.
- The company intends to increase its capital from SAR 100,000,000 to SAR 200,000,000 to support growth of its existing products and introduce new products in accordance with Article 48 of the Implementing Regulations of the Cooperative Insurance Companies Control Law. The company's written premiums may not exceed 10 times its total paid-up capital and reserves without the prior written consent of SAMA.

- The proposed Share Capital, which is SAR 200 million, will support the Company's financial resilience and reinforce its ability for underwriting and optional reinsurance after taking prior approval of the Saudi Arabian Monetary Agency. This will enable the Company to capture a share of the business.
- According to the Cooperative Insurance Companies Control Law, the Statutory Reserve must constitute 10% of the paid-up capital. ACIG will retain SAR 20 million as a statutory Reserve after the increase of its paid-up capital.
- The Share Capital increase will meet the adequate financial solvency margin requirements of the allowable minimum level for the insurance company, being SAR 100 million.
- ACIG intends to use the Offering Proceeds (after deduction of the statutory Reserve and Offering expenses) to raise the Company's Share Capital in order to invest in the investment vehicles mentioned in the cooperative Insurance Companies Control Law CICCL. The total estimated investment amount is about SAR 80 million. The investment portfolio includes cash and short-term investment (50%), notes and long-term investments (35%), equity and investment vehicles (15%). This mix will be realized during the period (2012G-2016G).

## 12. Underwriting



Name of Underwriter:

AlJazira Capital

Al Madinah Road, Al Musadiyah Commercial Center

P.O. Box 6277, Jeddah 21442

Kingdom of Saudi Arabia

Tel: +96626692669

Fax: 9662-9728166

Website: [www.aljaziracapital.com.sa](http://www.aljaziracapital.com.sa)

Number of Rights Issue Shares: 10,000,000 Ordinary Shares

Share Price: SAR 10 per Share

Underwritten Amount: SAR 100 million.

### 12 - 1 Summary of Underwriting Arrangement

Pursuant to the terms and conditions of the Underwriting Agreement to be executed between the Company and the Underwriter:

- a) The Company covenants to the Underwriter that, on the allocation date, the Company will issue and allocate to the Underwriter the Rights Issue Shares underwritten in this Offering not otherwise subscribed for by the Eligible Shareholders and not otherwise subscribed for by the Eligible Shareholders as additional shares, at the Offering Price.
- b) The Underwriter covenants to the Company that, on the allocation date, the Underwriter shall itself buy all the Rights Issue Shares in this Offering not otherwise subscribed for by the Eligible Shareholders and not otherwise subscribed for by the Eligible Shareholders as additional shares, at the Offering Price.

### 12 - 2 Charges & Expenses

The Company shall pay the Underwriter such charges as may be specified based on the total value of Proceeds from the Offering, which shall be paid to the Underwriter as per the Underwriting Commitment agreed upon. The Company shall also pay the Underwriter all 'reasonable' fees and expenses in relation to the Offering.



## 13. Legal Information

### 13 - 1 Introduction

This section describes the Company from a legal point, particularly its legal setup, administrative and organizational structure, contracts and agreements with third parties, fixed assets owed by the company, labor status and legal disputes.

### 13 - 2 The Company

Allied Cooperative Insurance Group (ACIG) was incorporated as a public Saudi joint-stock company registered in the Kingdom of Saudi Arabia under the resolution of the Council of Ministers No. 233, dated 16/09/1427 (09/10/2006) and the Royal Decree No. (M/60) issued on 18/09/1427H (11/10/2006) which provided for the incorporation of the Company in accordance with the Companies Regulation issued under Royal Decree No. M/6 dated 22/03/1385 and the Cooperative Insurance Companies Control Law issued under Royal Decree No. 32, dated 02/06/1424H and its Implementing Regulations issued under Ministerial Resolution No. 1/596, dated 01/03/1425H.

The Company was registered in the Commercial Register in Jeddah under No. 4030171999, dated 09/08/1428H (23/08/2007G).

**The Company opened four branches as follows:**

- Khamis Mushayt – Al-Khamees Main Street, Abha Road / Ring Road intersection, Seiko Building, as per Commercial Registration Certificate No. 5855035150, dated 12/09/1431H (22/08/2012G).
- Al-Khobar – King Abdulaziz Road, Al-Khozaim Building, as per Commercial Registration Certificate No. 2051043671, dated 12/09/1431H (22/08/2012G).
- Jeddah - Al-Maadi Street off Andalus Road, Al-Azzam Building, Showroom No. 4, as per Commercial Registration Certificate No. 4030204059, dated 12/09/1431H (22/08/2012G).
- Riyadh – Olaya – Al-Rabia District, as per Commercial Registration Certificate No. 1010293685, dated 12/09/1431H (22/08/2012G).

The Company is registered in the Jeddah Chamber of Commerce and Industry as per Membership Certificate No. 122589, dated 24/02/1433H (18/1/2012G).

### 13 - 3 Licenses obtained

The Company obtained a Foreign Investment License by the SAGIA on 26/10/1429 (27/10/2008G) renewed annually up to 26/10/1433H (13/09/2012G).

The Company also obtained an Insurance License by SAMA under No. TMN/21/20095, dated 15/05/1430H (10/05/2009G) enabling the Company to conduct insurance business at its general and health insurance branch.

The final qualification of the Company was issued by the Council of Cooperative Health Insurance under No. 6533/3/2 dated 17/09/1430H:

**The Company obtained also the following certificates:**

- Zakat & Income Tax Certificate No. 667 issued by the Ministry of Finance and National Economy, Kingdom of Saudi Arabia on 14/11/1429H (13/11/2008G).
- Facility Letter (Not valid for payment of ordinary or final premiums) issued by Zakat & Income Tax Department- Ministry of Finance- Kingdom of Saudi Arabia under No. 4603/16/1433, dated 19/7/1433H (09/06/2012G).
- Saudization Certificate issued by the Ministry of Labor under No. 3520, dated 02/04/1433H
- GOSI Membership Certificate issued under No. 12737793, dated 19/05/1433H (11/04/2012G).



### 13 - 4 Shareholders of Allied Cooperative Insurance Group – ACIG

Shareholders Nam	No. of Shares	Nominal Value	Ownership (%)
Islamic Development Bank	2,000,000	20,000,000	20%
Allied Cooperative Insurance Group (ACIG Bahrain)	2,000,000	20,000,000	20%
HRL Prince Saud bin Nayef bin Abdul Aziz Al Saud	20,000	2,000,000	2%
Abdul Aziz Abdul Raman Al Hamdan	20,000	2,000,000	2%
Ali Hassan Al Jasser Al Shehri	15,405	154,050	0.15%
Total Founding Shareholders Group	4,415,405	44,154,050	44.15%
Public	5,584,595	55,845,950	55.85%
Total	10,000,000	100,000,000	100%

Source: The Company

The shareholders have satisfied all regulatory requirements and conditions applicable to them as set by the Regulations

### 13 - 5 Board of Directors

In line with its By-Laws, the Company is managed by a Board consisting of 10 directors appointed by the Ordinary General Meeting for a term not to exceed three years.

The current Board of Directors consists of the following directors:

M	Name	Position	Nation-ality	Age	Appoint-ment Date	No. of Shares	Representation	Role
1	Khalid Bin Hamad Al-Bassam	Chairman	Saudi	50	28/4/2010G	1,000		Independent/ Non-Executive
2	Mohammed Hani Bin Abdul-Qader Al Bakri	Member	Saudi	54	28/4/2010G	0	Representing ACIG - Bahrain	Non-Executive
3	Thamer Bin Abdullah Rayes	Member	Saudi	33	28/4/2010G	1,025		Non-Executive
4	Hussam Bin Talal Al Gazzawi	Member	Saudi	44	28/4/2010G	1,000		Non-Executive
5	Suleiman Bin Abdullah Al Khuraiji	Member	Saudi	62	28/4/2010G	11,000		Independent/ Non-Executive
6	Khamis Bin Salim Al Qazah	Member	Saudi	50	28/4/2010G	0	Representing Islamic Devel- opment Bank	Non-Executive
7	Abdul Latif Bin Mohammed Al-Sheikh	Member	Saudi	39	28/4/2010G	1,000		Independent/ Non-Executive
8	Majid Bin Khaled Al Muzairae	Member	Saudi	40	31/5/2011G	1,000		Independent/ Non-Executive
9	Ali Bin Hassan Al-Jasser Al- Shehri	Member	Saudi	36	31/5/2011G	15,405		Independent/ Non-Executive
10	Hisham Bin Mohammed Al-Shareef	Member	Saudi	42	11/6/2012G	1,000		Executive

Source: The Company

N.B: In line with Article 38(1) of the Implementing Regulations of Cooperative Insurance Companies Control Law, none of the Board directors hold more than 5% of the Company's shares.

N.B: The shares held by the Board directors (1,000 shares) represent qualifying shares as per Article 68 of the Companies Regulations.

### 13 - 6 Summary of Major Contracts And Agreements

As part of the activities and services offered by the Company as well as of its transactions with other parties, in the endeavor to achieve high rates of professionalism in its businesses, the Company concluded a number of contracts and agreements as detailed below:

- Lease agreements in relation of its head office, its other four branches and different distribution points.
- Non-exclusive sale agency agreements in relation to the Company's products following a standard form as follows:
  1. A non-exclusive agency agreement for sale and marketing of the Companies insurance products dated 8/03/2012G signed in Jeddah between ACIG and Advanced Insurance Agencies Company appointing the latter as non-exclusive agent for sale and marketing of the Company's products in all Kingdom cities. The agreement stipulates that the agent will advise and obtain the written consent of the Company for each sale point through which the agent intends to conduct its business giving all required information of such point. The duration of the contract is one Gregorian year commencing on 08/03/2012G and ending on 07/03/2011G and is automatically renewable at the end of first term for one Gregorian year unless either party has otherwise advised the other party 3 months prior to expiry of the contract or renewed period.
  2. A non-exclusive agency agreement for sale and marketing of the Company's insurance products dated 13/11/2011G signed in Riyadh between ACIG and Al-Ruwad Insurance Agencies Company appointing the latter as non-exclusive agent for sale and marketing of the Company's products in all Kingdom cities. The agreement stipulates that the agent will advise and obtain the written consent of the Company for each sale point through which the agent intends to conduct its business detailing all required information of such point. The duration of the contract is one Gregorian year commencing on 01/11/2011G and ending on 31/10/2012G and is automatically renewable at the end of first term for one Gregorian year unless either party has otherwise advised the other party 3 months prior to expiry of the contract or renewed period.
  3. A non-exclusive agency agreement for sale and marketing of the Company's insurance products dated 20/06/2012G signed in Riyadh between ACIG and Fursan Insurance Agencies Company appointing the latter as non-exclusive agent for sale and marketing of the Company's products in all Kingdom cities. The agreement stipulates that the agent will advise and obtain the written consent of the Company for each sale point through which the agent intends to conduct its business detailing all required information of such point. The duration of the contract is one Gregorian year commencing on 23/06/2012G and ending on 22/06/2013G and is automatically renewable at the end of first term for one Gregorian year unless either party has otherwise advised the other party 3 months prior to expiry of the contract or renewed period.
- Contract for Marketing and provision of insurance services, dated 16/01/2010G signed between ACIG and Financial Self Income Fund of King Fahd Medical City under which the latter has committed to promote and provide medical insurance services against professional medical errors and all forms of medical insurance to the employees of King Fahd Medical City. The duration of the contract is one Gregorian year commencing on the date of site takeover. The contract provides for the provision of a site for ACIG to use for marketing and follow up of insurance services offered to the employees of the City against Company's commitment to pay 4% of the value of issued policy premiums, with a minimum of SAR 20,000 in favor of the Fund.
- Technical Support agreement with Net Ways Arabia dated 29/03/2012G under which the latter has committed to admit maintenance requests issued by the company and to perform the required repairs after investigation of breakdown reasons, to follow up on the Company's requests, to Control the system operation, to enhance the performance of applications and provide proactive maintenance thereof and to issue of reports on the system as and when needed. The duration of the agreement is one Gregorian year commencing on 29/03/2010G, automatically renewable every year unless either party has otherwise advised the other party two months prior to expiry of the annual renewal.
- Computer Program Licensing Agreement with (3I Infotec Saudi Arabia Ltd) dated 30/12/2007G under which the latter has given ACIG a non-exclusive and non-assignable license to use a computer program: Prempa – General Insurance, Prempa – Medical Insurance, Prempa Group – Purchasing and Human Resources Payroll Unit. The agreement is valid until revoked by Infotec.

• **Re-Insurance contracts as follows:**

Re-Insurance Contract	1
Re-insurance Company	Shadidi Re
Re-Insured	ACIG Insurance Company
Subscription	The written Insurance Subscription which equals to the total original insurance premiums charged to the Re-insured in respect of the policies covered under this insurance after deduction of cancellations and proceeds and excluding taxes and fees charged to insurance premiums.
Coverage	Non-maritime proportional and surplus re-insurance.
Geographical Scope	Kingdom of Saudi Arabia and Saudi interests abroad excluding those in the US, Canada and Australia. Personal accidents insurance plans issued to residents in the Kingdom of Saudi Arabia are valid all over the world.
Cover term	
Cover validity commencement	01/01/2012G
Cover Expiry	Cover will remain valid until 31 December of the year during which a written notice of cancellation is issued. However, the valid time shall be that followed by the office which issued the policy.
Re-Insurance Contract	2
Re-insurance Company	Shadidi Re
Re-Insured	ACIG Insurance Company
Subscription	Tier One: Minimum Subscription amount and Deposit: SAR 1,600,000. Tier Two: Minimum Subscription amount and Deposit: SAR 1,216,000. Tier Three: Minimum Subscription amount and Deposit: SAR 704,000.
Coverage	Second Party Liability for bodily damages resulting from motor accidents, Second Party Property Damage Insurance resulting from the vehicle, Vehicle self damages, Public liability including personal liability such as those appearing in travel documents, comprehensive public liability, staff compensations, Employers liability, Personal accidents, Liability for products (for hotels only), Travel medical expenses.
Geographical Scope	The policies issued in the Kingdom of Saudi Arabia to cover losses arising from Damages to the vehicle: Kingdom of Saudi Arabia and accidental schedules in the GCC countries including Jordan, Syria, Lebanon, Sudan and Egypt. Second Party Liability for vehicles: Kingdom of Saudi Arabia. Staff compensations / Employers liability: Kingdom of Saudi Arabia Personal Accidents: Losses occurring around the world. Public Liability/Public Comprehensive Liability: Kingdom of Saudi Arabia and accidental exposures and interests abroad excluding USA and Canada. Medical Travel Expenses: Losses incurred around the world. Personal Liability: Losses incurred around the world. Labors relating to users occupying administrative positions only are eligible to benefit from the coverage in the USA and Canada
Cover term	
Cover validity commencement	01/01/2012G (included in the coverage).
Cover Expiry	31/12/2012G (included in the coverage) The time followed shall be the local time in the place of loss occurrence.

<b>Re-Insurance Contract</b>	<b>3</b>
Re-insurance Company	Shadidi Re
Re-Insured	ACIG Insurance Company
Subscription	The written Insurance Subscription
Coverage	Re-insurance of proportional maritime shipping and surplus.
Geographical Scope	worldwide in respect of trips, including local transportation with interests in the Kingdom of Saudi Arabia and/or other Arab countries and/or other interests around the world.
Cover term	
Cover validity commencement	01/01/2012G
Cover Expiry	Cover will remain valid until 31 December of the year during which a written notice of cancellation is issued. However, the valid timing shall be that followed by the office issuing the policy.
<b>Re-Insurance Contract</b>	<b>4</b>
Re-insurance Company	Shadidi Re
Re-Insured	ACIG Insurance Company
Subscription	The written Insurance Subscription which equals to the total original insurance premiums charged to the Re-insured in respect of the policies covered under this insurance after deduction of cancellations and proceeds excluding taxes and fees charged to insurance premiums.
Coverage	Re-Insurance of engineering works, proportional and surplus.
Geographical Scope	Kingdom of Saudi Arabia and Saudi interests abroad excluding those in the US, Canada and Australia.
Cover term	
Cover validity commencement	01/01/2012G
Cover Expiry	Cover will remain valid until 31 December of the year during which a written notice of cancellation is issued. However, the valid timing shall be that followed by the office issuing the policy.
<b>Re-Insurance Contract</b>	<b>5</b>
Re-insurance Company	Shadidi Re
Re-Insured	ACIG Insurance Company
Subscription	Tier One: Minimum Subscription amount and Deposit: SAR 199,750.- Tier Two: Minimum Subscription amount and Deposit: SAR 116,875.- - Tier Three: Minimum Subscription amount and Deposit: SAR 34,000.
Coverage	Re-insurance of loss surplus account to protect the holding account of the re-insured party.
Geographical Scope	Arab Countries and related interests abroad
Cover term	
Cover validity commencement	01/01/2012G
Cover Expiry	31/12/2012G, 24:00 Hrs. The valid time shall be the local time of the place of loss occurrence.

<b>Re-Insurance Contract</b>	<b>6</b>
Re-insurance Company	Marsh
Re-Insured	ACIG Insurance Company
Subscription	The written Insurance Subscription
Coverage	Cargo shipped by sea, river or by land by truck, railways or by planes.
Geographical Scope	All over the world for trips, including internal transportation, with interests in the Kingdom of Saudi Arabia and/or other Arab countries and/or other interests worldwide.
Cover term	
Cover validity commencement	01/01/2012G
Cover Expiry	Cover will remain valid until 31 December of the year during which a written notice of cancellation is issued. However, the valid time shall be that followed by the office which issued the policy.
<b>Re-Insurance Contract</b>	<b>7</b>
Re-insurance Company	Marsh
Re-Insured	ACIG Insurance Company
Subscription	The written Insurance Subscription which equals to the total original insurance premiums charged to the Re-insured in respect of the policies covered under this insurance after deduction of cancellations and proceeds and excluding taxes and fees charged to insurance premiums.
Coverage	Fire and General accidents.
Geographical Scope	Kingdom of Saudi Arabia and Saudi interests abroad excluding those in the US. Canada and Australia. Personal accidents insurance contracts issued to expatriates residing in the Kingdom of Saudi Arabia are valid all over the world.
Cover term	
Cover validity commencement	01/01/2012G
Cover Expiry	Cover will remain valid until 31 December of the year during which a written notice of cancellation is issued. However, the valid time shall be that followed by the office which issued the policy.
<b>Re-Insurance Contract</b>	<b>8</b>
Re-insurance Company	Marsh
Re-Insured	ACIG Insurance Company
Subscription	<p>Tier One:</p> <p>Minimum Subscription amount: SAR 1,600,000.-</p> <p>Deposit: SAR 1,600,000.-</p> <p>Tier Two:</p> <p>Minimum Subscription amount: SAR 1,216,000.-</p> <p>Deposit: SAR 1,216,000.-</p> <p>Tier Three:</p> <p>Minimum Subscription amount: SAR 704,000.-</p> <p>Deposit: SAR 704,000.</p>
Coverage	Re-insurance of loss surplus account and vehicles.

Geographical Scope	<p>The policies issued in the Kingdom of Saudi Arabia to cover losses arising from</p> <p>Damages to the vehicle: Kingdom of Saudi Arabia and accidental schedules in the GCC countries including Jordan, Syria, Lebanon, Sudan and Egypt.</p> <p>Second Party Liability for vehicles: Kingdom of Saudi Arabia.</p> <p>Staff compensations / Employers liability: Kingdom of Saudi Arabia</p> <p>Personal Accidents: Losses occurring around the world.</p> <p>Public Liability/Public Comprehensive Liability: Kingdom of Saudi Arabia and accidental exposures and interests abroad excluding USA and Canada.</p> <p>Medical Travel Expenses: Losses incurred around the world.</p> <p>Personal Liability: Losses incurred around the world. Labors relating to users occupying administrative positions only are eligible to benefit from the coverage in the USA and Canada</p>
Cover term	
Cover validity commencement	01/01/2012G (included in the coverage).
Cover Expiry	Insurance will remain valid until 31/12/2012G (included in the coverage) provided the followed time is the local time of the place where the loss occurred.
<b>Re-Insurance Contract</b>	<b>9</b>
Re-insurance Company	Hanover RE.
Re-Insured	ACIG Insurance Company
Subscription	SAR 60,000,000.-
Coverage	Medical expenses incurred as a result of hospitalization or without hospitalization or as a result of body repatriation.
Geographical Scope	<p>Individuals basically resident in Saudi Arabia.</p> <p>Within Saudi Arabia and for Saudi interests within GCC countries. In the other parts of the world, only for business travel and / or vacations provided travel time does not exceed sixty days within the validity per policy.</p>
Cover term	
Cover validity commencement	01/01/2012G
Cover Expiry	Insurance will remain valid until a written notice of cancellation is issued ninety days before first maturity, as well as in respect of subsequent terms.

### 13 - 7 Senior Executives Employment Contracts

The Company signed employment contracts with its senior executives as follows:

#### A. Hisham Mohammed Al-Shareef

Position: Chief Executive Officer

Contract Commencement Date: 19/06/2011G

Contract validity: 3 Gregorian years automatically renewable for a similar period unless either party has otherwise informed the other party by a 3 month prior written notice.

#### B. Mohammed Abdullah Al-Qadi

Position: Vice CEO for Operations

Contract Commencement Date: 01/01/2012G

Contract validity: 3 Gregorian years automatically renewable for a similar period and for unlimited times.

#### C. Shaqool Hamid Sharif

Position: Vice CEO for Finance and Investment

Contract Commencement Date: 13/12/2008G

Contract validity: 3 Gregorian years and unless revoked, it will be automatically renewable for a similar period for unlimited times.

## 13 - 8 Insurance

- (A) The Company insures its properties with Saudi Arabian Cooperative Insurance Company as per Insurance Policy No. 41/101/2012/1003/02/102/P, dated 05/02/2012G valid from 05/02/2012G through 04/02/2013G. This policy is comprehensive and covers all risks such as office furniture and equipment including IT systems at the head office and points of sale as per the terms and conditions of the policy.
- (B) The Company insures its staff members with Saudi Arabian Cooperative Insurance Company as per Insurance Policy No. 2/851/2012/8571/02/102/P, dated 15/01/2012G valid from 15/01/2012G through 14/01/2013G. This policy is comprehensive and covers all risks such as death, full permanent disability and permanent partial disability as per the terms and conditions of the policy.

## 13 - 9 Trademarks and trademarks licensing agreement

The trademark of Allied Cooperative Insurance Group (ACIG) is registered under the certificate issued by the Ministry of Commerce and Industry No. 1107/90 dated 27/11/1430H (15/11/2009G). The certificate evidences that the Company holds a trademark representing the word (ACIG) in Bold Arabic letters beside a blue crescent inside a circle with the word (ACIG) in Latin characters beneath and with the words (Insurance with Security) in Arabic letters. The trademark is protected until 12/02/1440H (23/10/2018G). The protection does not cover the "Insurance" word.

The trademark is registered within category 36, i.e. the category of insurance services, financing, financial and property affairs.

The Company does not have any other intellectual rights registered nor does it rely in its activity on any valuable moral properties such as trademarks, patents, copy rights or any other intellectual rights.

## 13 - 10 Disputes, Litigation and Claims

The Company is not a part to any lawsuit or claim, arbitration or administrative actions which would essentially affect its business or financial position. The directors of the Board confirm to their best knowledge that no lawsuits, claims, arbitration or similar administrative actions were filed or threatened to be filed.

The constituent shareholders confirm that none of them is a part, as of the date hereof, to any case, lawsuit, arbitration, claim or any administrative actions which may have essential adverse effects on the financial position of Allied Cooperative Insurance Group or the results of its operations, and that to the best of their knowledge they are not subject to any threat of the rise of any lawsuit or arbitration or administrative actions.

## 13 - 11 Continued business

No suspension of the activities of Saudi ACIG or any essential change in its activities is expected in the near future. Furthermore, no any suspension of the activities of Bahraini ACIG was noted in the past year.

## 13 - 12 Contracts and Agreements with related parties:

There are no contracts made between the shareholders and/or directors of the Board with the Company.

## 13 - 13 Shariah Supervisory Board:

The Sharia Supervisory Board of the Company is headed by His Eminence Sheikh Abdullah bin Bayyah and membership of Dr. Hany Abdushakour and Dr. Hassan Filimban.

Major activities of the Sharia Board:

- To provide consultancy in the matters referred thereto by the Company.
- To provide Sharia opinions regarding any other matters as necessary
- To approve all products, investment policies and financing agreements.

## 13 - 14 Directors declarations:

### 1. Financial Statements:

The Directors of the Board of Allied Cooperative Insurance Group (ACIG) acknowledge that the financial statements stated in this prospectus have been prepared on the basis of the audited financial statements of the Company without any essential change taking into consideration the audit and financial reporting standards applicable globally as well as locally in the Kingdom of Saudi Arabia. According to the said statements, the Company's losses amounted to 75% of its share capital.

The Company's financial statements for the fiscal year ending 31 Dec 2011G were approved under the Board resolution passed by circulation No. 4/2012 dated 11/4/2012G. The Board continued its support to the company as a going concern.

Apart from the losses stated herein, the Board acknowledges that there is no essential adverse change in the Company's financial and commercial status for the fiscal period 2009G – 2012G up to the date of this prospectus.

## **2. Directors bankruptcy:**

The directors of the Board of Allied Cooperative Insurance Group (ACIG) declare that none of them, any member of the Company's senior management or senior executives or the Company Secretary has been declared bankrupt nor were subject to bankruptcy procedures at any time up to the date of this prospectus.

## **3. External business**

The directors of the Board declare that Allied Cooperative Insurance Group (ACIG) does not have any commercial activities or assets out of the Kingdom of Saudi Arabia

### **The Directors of the Board declare as follows:**

- That all details about ACIG have been fairly declared and that no information which, if missing, would affect the results of analysis, has been omitted.
- That the Company's properties are not subject to any pledge or other burdens or rights as at the date of this prospectus
- That there are no instruments issued, outstanding or declared but not issued, or any term loans, secured or not by personal guarantees, or secured or unsecured by pledge as of the date of this prospectus.
- There are no other loans or indebtedness of the Company including overdraft from banking accounts and liabilities under acceptances, acceptance credits or hire purchase liabilities secured or not by personal guarantee or not covered by personal guarantee or secured or unsecured by pledge as of the date of this prospectus.
- That there are no contingent liabilities or guarantees of the Company as of the date of this prospectus.
- That the directors of the Board are in compliance with the provisions of Articles 69 and 70 of the Companies Act.
- Directors of the Board and subscribers are in compliance with the provisions of Article 18 of Saudi Corporate Governance Regulations as issued by CMA under Resolution No. 1-212-2006 dated 21/10/1427H (12/11/2006) (Article 18: Conflict of Interests in the Board of Directors):
  - a) A Board member shall not, without a prior authorization from the General Assembly, to be renewed each year, have any interest (whether directly or indirectly) in the company's business and contracts. The activities to be performed through general bidding shall constitute an exception where a Board member is the best bidder. A Board member shall notify the Board of Directors of any personal interest he/she may have in the business and contracts that are completed for the company's account. Such notification shall be entered in the minutes of the meeting. A Board member who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard neither in the General Assembly nor in the Board of Directors. The Chairman of the Board of Directors shall notify the General Assembly, when convened, of the activities and contracts in respect of which a Board member may have a personal interest and shall attach to such notification a special report prepared by the company's auditor.
  - b) A Board member shall not, without a prior authorization of the General Assembly, to be renewed annually, participate in any activity which may likely compete with the activities of the company, or trade in any branch of the activities carried out by the company.
  - c) The company shall not grant cash loan whatsoever to any of its Board members or render guarantee in respect of any loan entered into by a Board member with third parties, excluding banks and other fiduciary companies.
  - d) The Company is in compliance with SAMA rules and regulations in respect of its procedures and activities.



## 14. By-Laws of the Company

The By-Laws of the Company contain provisions, inter alia, to the effect set out below. This summary should not be relied upon in place of the full By-Laws, which can be inspected at the registered office of the Company:

Incorporation of the Company: The Company was incorporated in accordance with the Cooperative Insurance Companies Control Law and its Implementing Regulations, the Companies Regulations and these By-Laws among holders of shares according to the rules stipulated herein.

### 14 - 1 Company's Name

Allied Cooperative Insurance Group (ACIG)

### 14 - 2 Company's Head Office

The head office of the Company shall be in the city of Jeddah, Kingdom of Saudi Arabia. The head office of the Company may be moved to another location within the Kingdom of Saudi Arabia subject to obtaining the Saudi Arabian Monetary Agency's consent Article 2 of the Articles of Association includes:

- Company's Head Office address:

Palestine Street, Jamjoom Commercial Center, Floor 12

P.O. Box 7076, Jeddah 21462

Kingdom of Saudi Arabia

Tel: +966-2-6633222

Fax: +966-2-6617421

Website: [www.acig.com.sa](http://www.acig.com.sa)

The Company has branches in Riyadh, Khamis Mushayt and Al Khobar

### 14 - 3 Objectives of the Company

The objects of the Company shall be to transact cooperative insurance operations and related activities, such as reinsurance, agency activities, representation, correspondence or intermediary activities provided that such activities are in accordance with the provisions of the Control of Cooperative Insurance Companies Regulation and its Implementing Rules, as may be amended from time to time, and such other laws and regulations in force in the Kingdom of Saudi Arabia; and the Company may undertake all activities as may be required to achieve its objectives whether in respect of insurance or the investment of its funds and it may own, move, sell, replace or lend its properties or liquid assets either directly or through companies established or acquired by it or in association with other entities.

The Company may own, merge with, purchase or have an interest in or participate by any means with other corporate entities that are engaged in similar activities of the Company or engaged in financial activities or which may assist in realizing its objects. The Company may exercise such activities stated in this Article within or outside the Kingdom of Saudi Arabia.

### 14 - 4 Duration

The term of the Company shall be ninety-nine (99) Gregorian years starting on the date on which the Minister of Commerce and Industry declares its incorporation. This term may be extended by an Extraordinary General Assembly resolution at least one year prior to the expiry of its term.

### 14 - 5 Share Capital of the Company

In its ninth meeting held in Jeddah on Tuesday 08/11/1430H (corresponding to 27/10/2009G), the Board of Directors issued its resolution No 77/10/2009G, approving the Extraordinary General Assembly Meeting resolution to increase the Share Capital of the Company from SAR 100 million to SAR 250 million. SAMA's approval was issued in their letter No. 2047/IS, dated 11/11/1431H (corresponding to 19/10/2010G) to increase the Company's Share Capital from SAR 100 million to SAR 250 million by offering ordinary Shares. The Board of Directors issued its resolution No. 10-2012, dated 26/06/2012G to approve the Extraordinary General Assembly resolution to increase the Company's Share Capital from SAR 100 million to SAR 200 million.

The Share Capital of the Company was determined to be SAR 100,000,000, consisting of 10,000,000 shares of equal value of SAR 10 each. The Founding Shareholders subscribed for 6,000,000 Shares and paid their value SAR 600,000,000 in full, representing 60% of the Company's Shares Capital. The remaining 4,000,000 Shares, the value of which is SAR 400,000,000 have been offered for public subscription at SAR 10 per share. Following the public subscription, the Share Capital of the Company became SAR 100,000,000, comprising of 10,000,000 shares.

At its ninth meeting which was held in Jeddah on Tuesday 8/11/1430H, corresponding to October 27, 2009G, ACIG's Board of Directors adopted Resolution No. 77/10/2009G approving the recommendation to the Extraordinary General Assembly to increase the Company's Share Capital from SAR 100 million to SAR 250 million. SAMA has issued approval to increase the Share Capital under their letter No. 2047, dated 11/11/1431H from SAR 100,000,000 (one hundred million Saudi Riyals) to SAR 200,000,000 (two hundred million Saudi Riyals) by offering ordinary shares. The General Assembly was convened to issue a decision to increase Share Capital after receiving preliminary approval from the CMA. The Board issued Resolution No. 10-2012, dated 26/06/2012G approving the recommendation of the Extraordinary General Assembly to increase the Share Capital from SAR 100 million to SAR 200 million.

## **14 - 6 Decrease of Capital**

The Extraordinary General Assembly may decide to reduce the capital of the Company and after having obtained the approval of the competent authorities and if its capital exceeds the Company's requirements or if the Company has suffered losses. Such decisions can only be taken after reading the auditors' report outlining the reasons for such a decision, the liabilities of the Company, and the impact of the decrease on such liabilities. The decision shall specify how the reduction is to be carried out. If the reduction in capital is the result of the capital being in excess of the Company's needs, its creditors should be invited to submit their objections. Creditors' objections should be raised within sixty days from the date of publishing the decision to reduce the capital in a daily newspaper published in the city of the Company's head office. Should a creditor objects and submits documentary evidence to the Company within the specified time, the Company shall pay his dues or provide him with an adequate guarantee to settle deferred debts.

## **14 - 7 Trading of Shares**

All Shares are tradable according to the guidelines, rules and regulations issued by CMA. During the Lock-up period, cash shares may be transferred according to the provisions of rights sale from a Founding Shareholder to another Founding Shareholder or a Board Member to be used as guarantee shares, or from heirs of a Founding Shareholder if he died to third parties.

The lock-up period for the Founding Shareholders has expired on 31/12/2010G. The Founding Shareholders received the approval of CMA and SAMA to lift the restriction on their shares, except for the following shareholders: ACIG Bahrain and the Islamic Development Bank. The above mentioned shareholders will be subject to the restriction currently applied on their current shares and Rights Issue Shares in the event of their subscription in the Rights Issue Shares. The restriction will be lifted upon approval from the CMA and SAMA.

A Board member shall submit minimum of 5000 guarantee shares against contracts that may arise between him and the Company, which have been approved by the Ordinary General Assembly. This retention right contains the right of retained shares to receive any paid announce and paid dividends.

The Board of Directors, after approval of the competent authorities, upon exercising the right to retain the guarantee shares that are provided by the Board member against contracts that may arise between him and the Company, shall have the right to sell such shares, provided that the debt has become due and after serving the second call by registered mail to the holder of shares, requesting from him to pay the debt within two weeks. If he refused to sell them, the Board may sell them through Tadawul trading system and use their price to settle the debts and obligations required by the Company, then pay the balance (if any) to that shareholder or his guardian or to the executor and his will or his heirs. "Please see Articles 11/12 of the By-Laws".

All shares held by members of the Board and deposited in a bank designated by the Minister of Commerce and Industry and dedicated to ensure the responsibility of board members due to errors that cause damage to shareholders, except for cases of fraud and forgery, remain non-negotiable until the termination of the period specified for the hearing the claim of responsibility which is a year from the date of the EGA to raise this case or with the consent of the Ordinary General Assembly on discharging the members of the board of directors from their responsibility. "Please see articles 68/77 of the Companies Regulations"

The Company's By-Laws have not provided for restrictions on trading of shares other than what is stated in Article (10) of the Company By-Laws. The Company's By-Laws have not addressed the ability of the Company to buy back its shares and therefore it should be referred to the Companies Regulations, specifically Article (104), which permits the Company to buy its shares, provided that the price shall be less than the nominal value of the Share or equal to this value if the project is consumed gradually or if it is based on temporary rights, based on Article (105) of the Companies Regulations that authorizes the Company to buy its shares if the purpose of purchasing is consumption of shares or reducing the Share Capital or if the shares are part of a group of funds that are purchased by the Company from its assets and liabilities.

## 14 - 8 Board of Directors

M	Name	Position	Nation-ality	Age	Appoint-ment Date	No. of Shares	Representation	Role
1	Khalid Bin Hamad Al-Bassam	Chairman	Saudi	50	28/4/2010G	1,000		Independent/ Non-Executive
2	Mohammed Hani Bin Abdul-Qader Al Bakri	Member	Saudi	54	28/4/2010G	0	Representing ACIG - Bahrain	Non-Executive
3	Thamer Bin Abdullah Rayes	Member	Saudi	33	28/4/2010G	1,025		Non-Executive
4	Hussam Bin Talal Al Gazzawi	Member	Saudi	44	28/4/2010G	1,000		Non-Executive
5	Suleiman Bin Abdul-lah Al Khuraiji	Member	Saudi	62	28/4/2010G	11,000		Independent/ Non-Executive
6	Khamis Bin Salim Al Qazah	Member	Saudi	50	28/4/2010G	0	Representing Islamic Devel- opment Bank	Non-Executive
7	Abdul Latif Bin Mo-hammed Al-Sheikh	Member	Saudi	39	28/4/2010G	1,000		Independent/ Non-Executive
8	Majid Bin Khaled Al Muzairae	Member	Saudi	40	31/5/2011G	1,000		Independent/ Non-Executive
9	Ali Bin Hassan Al-Jasser Al- Shehri	Member	Saudi	36	31/5/2011G	15,405		Independent/ Non-Executive
10	Hisham Bin Moham-med Al-Shareef	Member	Saudi	42	11/6/2012G	1,000		Executive

Source: The Company

If the office of the Board member becomes vacant; the Board may appoint a member to fill the vacancy, provided that such appointment shall be reported to the next Ordinary General Assembly. The term of office of the new member appointed to fill a vacancy shall only extend to the term of his predecessor. If the number of the Board members falls below the quorum needed for its meeting to be valid, the Ordinary General Assembly must be convened as soon as possible to appoint the required number of Directors.

## 14 - 9 Powers of the Board of Directors

Subject to the powers reserved for the Ordinary General Assembly, the Board of Directors shall have the widest powers in managing the affairs of the Company. The Board may, within the limits of its authority, delegate to one or more of its members or to non-members the power of performing a specific act(s) or task(s).

## 14 - 10 Remuneration of Board of Directors

The remunerations of the Chairman of the Board for performing his duties shall be Saudi Riyals One Hundred Eighty thousand (SR180,000) per annum; and the remunerations for each member of the Board for performing their respective duties shall be Saudi Riyals One Hundred Twenty Thousand (SR120,000) per annum. The Chairman and each member of the Board shall be paid Saudi Riyals Three Thousand (SR3,000) for attending each Board meeting and a sum of Saudi Riyals One Thousand Five hundred (SR1,500) for attending each meeting of the Executive Committee. The Company shall also pay the Chairman and members of the Board or Directors all actual expenses they incur to attend the Board or the Executive Committee meetings. However, in all events, the total amount paid to the Chairman and members of the Board shall not exceed 5% of the net profits.

## 14 - 11 Chairman and Managing Director

The Board shall appoint one of its members as Chairman and the Board shall appoint a Managing Director for the Company from the members of Board or from outside the Board. The Chairman and the Managing Director shall have the authority to sign on behalf of the Company and implement Board resolutions. The Chairman shall represent the Company before third parties and courts. The Chairman or the Managing Director shall have the right to delegate work or specific tasks to other persons. The Managing Director shall be responsible for the executive management of the

Company. The Board shall define the salaries, remuneration and bonuses of the Chairman and the Managing Director in accordance with Article (17).

## **14 - 12 Board Meetings and Resolutions**

- The Board shall be called to convene in the head office of the Company by its Chairman and when requested to convene such meeting by two members of the Board. The call shall be documented in the manner specified by the Board. The Board of Directors can meet outside the Company's premises provided that it shall meet at least four (4) times a year provided that the interval between the meetings shall not exceed four months.
- The meeting of the Board shall not have a quorum unless attended by at least two thirds of the members in person or by proxy, provided that the members attending in person shall not be less than at least four members. Subject to Article 15 of the By-Laws, a Board member may delegate any other member to attend the meetings and vote on his behalf.
- The Board's resolutions shall be issued unanimously by 2/3 majority vote of the represented members, provided that the Chairman's vote shall not have any preference over other member votes and it is with equal weight. Board resolutions may be issued by members voting by circulation unless one of the members requests, in writing, to hold a meeting to discuss the resolution. In this case, resolutions shall be presented at the Board of Directors at the next meeting. Any member of the Board of Directors who has a direct or indirect interest in any matter or suggestion presented to the Board or the Executive Committee, as applicable, shall inform the Board or the Executive Committee of his interest in the presented matter. Such member, without being excluded from the quorum required for the validity of the meeting, shall abstain from participating in discussions and voting at the Board of Directors or the Executive Committee, as applicable, with regard to the matter or the suggestion.
- Unless the consent of SAMA is obtained, the Board members shall not enter into insurance Agreements with the Company in which they have an interest.
- The Board shall appoint a secretary for the Board. The Board may also appoint a counselor(s) in different affairs of the Company and define its remuneration.
- The Chairman of the Board, Managing Director and each Board member are liable, with due regard to the authority limits of each, if they violate these By-Laws.

## **14 - 13 Committees**

### **14 - 13 - 1 Audit Committee**

The Audit Committee shall consist of no less than three (3) members and no more than five (5), who are not Executive Directors of the Company and the majority of whom shall not be members of the Board of Directors, including specialist in financial and accounting and as approved by SAMA and the Ministry of Commerce and Industry and the Capital Market Authority. The General Assembly of shareholders shall, upon a recommendation of the Board of Directors, issue rules for appointing the members of the Audit Committee and define the term of their office and the procedure to be followed by the Committee. The duties and responsibilities of the Audit Committee include the following:

- To supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it.
- To review the internal audit reports and pursue the implementation of the corrective measures in respect of the comments included in them.
- To recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors; upon any such recommendation, regard must be made to their independence.
- To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- To review together with the external auditor the audit plan and make any comments thereon.
- To review the external auditor's comments on the financial statements and follow up the actions taken about them.
- To review the interim and annual financial statements prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.
- To review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.

### **14 - 13 - 2 Executive Committee**

The Board of Directors shall form an executive committee consisting of not less than three (3) members and not more than five (5) members. The Executive Committee's meetings shall be chaired by the chairman who will be appointed by the members of the Executive Committee among them. If the chairman is not present at a meeting, the Committee shall appoint a temporary chairman among the present members. A member of the Executive Committee may give proxy to

another member who shall have the voting power for only three meetings. The period of membership of the Executive Committee shall be the same as of the Board and the Board shall fill the vacancy in the Executive Committee.

Based on the Board's recommendation, the Company's Shareholders General Assembly shall issue the rules for selecting the Executive Committee, their membership tenure and method of Committee work.

With respect to any instructions stipulated by SAMA or by the Board of Directors of the Company, the Executive Committee shall carry out all the authorities stipulated by SAMA or the Board. The Executive Committee, within its designated authorities, shall assist the Managing Director or the General Manager.

The Executive Committee meeting shall be valid only if attended by at least two of its members in person or by proxy provided that at least two of the present members shall be in person. The decisions of the Executive Committee shall be adopted unanimously and in the case of dispute, the decisions shall be adopted by a two third majority vote of the present members.

### 14 - 13 - 3 Governance, Nominations, Remunerations and Corporate Social Responsibility Committee

a) The Board of Directors shall set up a committee to be named "Governance, Nominations, Remunerations and Social Responsibility Committee". This Committee shall consist of no less than three (3) members and no more than five (5). The General Assembly shall, upon a recommendation of the Board of Directors, issue rules for the appointment of the members of the Committee, their remunerations, and terms of office and the procedure to be followed by such committee.

**The duties and responsibilities of this Committee include the following:**

- Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting ethics or honesty is nominated for such membership.
- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board.
- Review the structure of the Board of Directors and recommend changes.
- Determine the points of strength and weakness in the Board of
- Directors and recommend remedies that are compatible with the company's interest.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
- Draw clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance shall be followed.

### 14 - 14 General Assemblies

The duly constituted General Assembly represents all Shareholders and shall be held in the city where the head office of the Company is located. Each subscriber, regardless of the number of shares held, shall have the right to attend the Constituent General Assembly, either in person or by proxy. Each shareholder holding twenty (20) or more shares shall have the right to attend the General Assembly, and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors or officials of the Company, to attend the General Assembly on his/its behalf.

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of the Companies Regulations. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in the preceding Article. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

### 14 - 15 Shareholders Assembly Resolutions

Resolutions of the Constituent General Assembly and Ordinary General Assembly shall be adopted by an absolute majority vote of the shares represented thereat. However, if a resolution relates to valuing in kind or preferential shares, a majority of the subscribers of cash shares is needed such that they represent at least two thirds (2/3) of the mentioned shares after discounting the shares subscribed to by those given in kind shares or those benefiting from preferential shares – such subscribers shall not have a vote in these resolutions, even if they also own cash shares.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital,



extending the Company's period, dissolving the Company prior to the expiry of the period specified therefore under the By-laws or merging the Company with another company or establishment, such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

#### **14 - 16 Auditor**

Two Auditors from those licensed to practice auditing in the Kingdom shall be appointed by the General Assembly each year. The Assembly shall fix their remunerations and may also re-appoint them.

The Auditor shall at all times have access to the Company's books, records and other documents, can seek statements and clarifications which he considers necessary and has the right to verify the assets and liabilities of the Company.

The Auditor must submit a report to the annual General Assembly setting forth the attitude of the Company's management in enabling him to obtain the statements and clarifications requested by him, any violations of the provisions of the Companies Regulation or of the Company's Constitutional Documents which he may have discovered, and his opinion as to the extent to which the Company's accounts are in conformity with reality.

#### **14 - 17 Financial Year**

The fiscal year of the Company shall start on the 1st of January and end on the 31st of December of each Gregorian year. The first fiscal year, however, shall start on the date of the decision declaring the incorporation of the Company and shall end on the 31st of December of the following Gregorian year.

#### **14 - 18 Distribution of Annual Profits**

The shareholders' profits shall be allocated as follows:

- Zakat allocations to be held.
- Twenty percent of the net profits shall be allocated to form the statutory reserve. The Ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the capital.
- The Ordinary General Assembly may, at the recommendation of the Board of Directors, set aside a specific percentage of the annual net profits to build up additional reserves allocated for a specific purpose or purposes as determined by the general assembly.
- The remaining balance shall be distributed as a first instalment to the shareholders equivalent to five percent (5%) of the paid-up capital.
- The remaining balance shall be distributed to the shareholders as a share in the profits or to be transferred to the retained earnings account.
- The Board may issue a decision to distribute periodical profits to be deducted from annual profits specified in paragraph 4 above in accordance with the relevant regulating rules issued by the competent authorities.

The Company shall report to SAMA and CMA without delay any decision or recommendation to distribute dividends. Such dividends shall be distributed to shareholders in the place and time specified by the Board of Directors in accordance with the instructions issued by the Ministry of Commerce and Industry, taking into consideration the prior written consent of the Saudi Arabian Monetary Agency.

If the Company's losses amounted to three-quarters of its Share Capital, the Board members shall convene the Extraordinary General Assembly to consider the continuation of the Company or resolve it prior to its term designated in Article (5) of the By-Laws. The Assembly's decision shall be published in all cases in the Official Gazette.

#### **14 - 19 Dissolution and Winding Up of the Company**

The Company shall be dissolved upon the expiry of its term as stated in these By-Laws or by any of the provisions of the Cooperative Insurance Companies Control Law and Companies Regulations. If a decision has been taken to dissolve the Company before the expiry of its term, the Extraordinary General Assembly, at the recommendation of the Board of Directors, shall decide the method of liquidation, appoint one or more liquidators and define their remunerations and powers and remunerations. The powers of the Board of Directors shall end upon the dissolution of the Company. The Board shall continue to manage the Company until the liquidator is appointed. Other officers of the Company shall keep their functions to the extent they do not conflict with the powers of the liquidators. Upon liquidation, entitlements of subscribers to the insurance operation surplus and to reserves formed as stipulated in articles 43 and 44 of these By-Laws shall be taken into account

#### **14 - 20 Final Provision**

The provisions of, the Cooperative Insurance Companies Control Law and its Implementing Regulations and the Capital Market Law and its implementing regulations shall apply to all matters not provided for herein.

#### **14 - 21 Publication**

These By-Laws shall be deposited and published in accordance with the provisions of the Companies Regulation.

## 15. Subscription Terms and Conditions

All Eligible Shareholders must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form, since the completion and execution of the Subscription Application Form constitutes acceptance and Agreement to the Subscription Terms and Conditions.

Signing the Subscription Application Form and submitting it to the Receiving Bank is considered a binding Agreement between the Company and the Eligible Shareholder. Eligible Shareholders may obtain the Prospectus and Subscription Application Form from the Receiving Banks.

### 15 - 1 Subscription for the Rights Issue Shares (New Shares)

As per this Prospectus, 10,000,000 shares will be offered for subscription through the Rights Issue Offering at an Offer Price of SAR 10 per share, (including a nominal value of SAR 10 per share), being made to, and is only capable of acceptance by registered holders of Shares at the close of trading on the Extraordinary General Assembly Meeting ("EGM") date which falls on 17/10/1433H (corresponding to 4/9/2012G).

The Company has made an application to the CMA for admission of the New Shares to the official list. An application will be submitted to Tadawul to start trading in the offered shares after completion of the subscription process.

Subscription Application Forms will be received by the branches of the Receiving Agents in the Kingdom from 28/10/1433H (corresponding to 15/9/2012G) until 6/11/1433H (corresponding to 22/9/2012G). After signing and submitting the Subscription Application Form the Receiving Agents will stamp it and furnish the eligible Subscriber with a copy. If the information filled in the form turns out to be incomplete or incorrect or the form is not stamped by the bank, the Subscription Application Form will be considered void.

The Eligible Shareholder who does not subscribe in the Offering will not be entitled to any of the benefits against his right in the subscription except his compensation for his partial or total abandonment of subscription in the Rights Issue to which he is entitled on condition that there is compensation as detailed below. However, the Eligible Shareholder keeps the same number of shares he holds before the capital increase. If the Eligible Shareholder opts not to use his right in the New Shares and not to subscribe in the Rights Issue, his share in the Company and the value of the shares he currently holds will drop.

The Eligible Shareholder shall accept the subscription terms and conditions and fill all sections of the Subscription Application Form. In case the form completed by an applicant does not meet any of subscription terms and conditions, the Company shall have the right to reject that application in part or whole. The applicant shall also accept any number of shares allotted to him from the Rights Issue. Any application providing incomplete or incorrect information or is not stamped by the Receiving Agents will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Agents, and shall be considered as a binding contract between the subscriber and the Company.

### 15 - 2 Eligible Shareholders Who Do Not Subscribe For The New Shares

Eligible Shareholders who do not subscribe for New Shares will be subject to a decrease in their percentage of ownership in the Company and the value of the shares they currently hold. As per CMA instructions and in accordance with its requirements, Eligible Shareholders who do not subscribe for all or part of the New Shares may receive compensation, if any, to be calculated as shown below and they will keep the shares they have been holding before subscription. If the highest price demanded is equal to the offer price, Eligible Shareholders who do not subscribe for New Shares will not get any compensation for not subscribing for the New Shares.

The compensation amount ("Compensation Amount") (if any) for shareholders who do not subscribe for New Shares wholly or partially will be calculated as follows:

#### 1) Proceeds of Subscription for Additional Shares

New shares not subscribed for by Eligible Shareholders by the close of trading of the Company's shares before the EGM on 17/10/1433H (corresponding to 4/9/2012G) ("Additional Shares") will be allotted to Eligible Shareholders who subscribed for a number of shares more than the number they are entitled to provided that they subscribe in all the shares they are entitled to and for the price specified in the application form. Allocation priority in such a case will be for Eligible Shareholders who requested additional shares for the highest price. Amounts received from subscription for such shares (after deduction of the offer price that will go to the Company and the administrative expenses) will be the amounts to be distributed to Eligible Shareholders who did not subscribe.

#### 2) Compensation Amount

Compensation per share will be calculated by dividing the compensation amount (after deduction of the offer price that will go to the Company and the administrative expenses) by the total number of shares not subscribed for by Eligible Shareholders. The compensation per share will thus be determined and paid to the Eligible Shareholders who did not subscribe for all or part of the shares they were entitled to.

### 15 - 3 Filling the Application Form

The Eligible Shareholder shall specify in the application form the number of New Shares he /she wishes to subscribe for and includes the full subscription amount due. The number of New Shares a shareholder is entitled to subscribe for is calculated by multiplying the number of shares held on the eligibility date on 17/10/1433H (corresponding to 4/9/2012G).

### 15 - 4 Subscription for Additional Shares

Holders of Shares who are registered in the Company's records upon the close of trading before convening of the Extraordinary General Assembly which approved the Capital increase on 17/10/1433H (corresponding to 4/9/2012G) have the right to over-subscribe for Unsubscribed Shares in cash in addition to their entitlement to Rights Issue Shares.

Such over-subscription can only be made at one of the following prices:

- Offer price of the New Share (i.e., SAR 10 per Unsubscribed Share).
- Offer price of the New Share plus an amount equal to 30% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price after convening of the EGM multiplied by the shares Eligibility of Shares (1), rounded to the nearest round number.
- Offer price of the New Share plus an amount equal to 60% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price after convening of the EGM multiplied by the shares eligibility of each shareholder (1), rounded to the nearest round number.
- Offer price of the New Share plus an amount equal to 90% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price after convening of the EGM multiplied by the shares eligibility of each shareholder (1), rounded to the nearest round number.

Prices for subscription in Additional New Shares shall be as follows: SAR (10) per share, SAR (17.00) per share, SAR (23.95) per share, SAR (30.90) per share providing that the Eligible Shareholder may not choose more than one price for the additional New Shares.

Any New Shares remaining after expiry of the Offering Period shall be subscribed for by the underwriter as per the subscription price for the share.

### 15 - 5 Taking Up Full Entitlements To Rights

Qualifying Shareholders wishing to take up all of their Rights to the New Shares must submit a completed Subscription Application Form, together with the Subscription Monies for their full entitlement and the required accompanying documents, to either a branch of one of the Lead Managers or the Receiving Agents during the Offering Period.

A Qualifying Shareholder's full entitlement is calculated by multiplying the number of its Existing Shares he owns at the Eligibility Date 17/10/1433H (corresponding to 4/9/2012G). Partial entitlements are not applicable and any entitlement should be rounded down where necessary. The Subscription Monies payable by a Qualifying Shareholder is SAR (10) multiplied by the number of New Shares applied for.

### 15 - 6 Non-Subscription For The New Shares

If any Eligible Shareholder does not wish to subscribe for the New Shares he is entitled to subscribe for, he shall be considered as one of the shareholders who are not participating in the subscription and shall have the right of obtaining the compensation amount, if any, as shown above, and the other Eligible Shareholders will have the right of subscribing for the shares he is entitled to subscribe for them.

### 15 - 7 Partial Subscription

If the Eligible Shareholder intends to subscribe for part of the shares he is entitled to subscribe for, he must submit during the Offering Period an application enclosed with it the subscription amount and the required documents. In this case, the Eligible Shareholder shall be considered a non-participating shareholder with regard to the shares he is entitled to but he did not subscribe for, and will have the right of obtaining the compensation amount, if any.



## 15 - 8 Documents Required to be Submitted with the Subscription Application Forms

The Subscription Application Form must be submitted together with the following documents, and the Receiving Agents shall match the copy of each document with the original document and then return the original documents to the subscriber:

- The original ID and a copy of it (in case of the individual subscriber).
- The original family card and a copy of it (for the family members).
- The original power of attorney and a copy of it (in case of authorizing another person for the subscription).
- The original guardianship document (for orphans) and a copy of it (for individual subscriber).
- The original residence permit (Iqama) and a copy of it for non-Saudis, whenever applicable (for individual subscriber).
- The original commercial registration and a copy of it (in case of the artificial personality).

The subscription amount shall be paid in full, upon submission of the Subscription Application Form to a branch of one of the Receiving Agents, through authorizing the Receiving Agent to debit the account of the subscriber at the Receiving Agent with the required amount, or through a certified check drawn at one of the local banks and registered under the name of the Company.

Power of attorney will be restricted to first class relatives (children and parents only). In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He must attach the original and a copy of a legal power of attorney issued by a notary public (for individuals residing in Saudi Arabia) or approved by the Saudi Embassy or Consulate in the country of the subscriber (for individuals residing outside Saudi Arabia).

## 15 - 9 Submission of the Subscription Application Form

Receiving Agents shall start receiving subscription applications in their branches in the KSA commencing 28/10/1433H (corresponding to 15/9/2012G) until the end of 6/11/1433H (corresponding to 22/9/2012G). Applications can be delivered during the Offering Period either through a branch of the Receiving Agents or the tele-banking services section or automated teller machines (ATMs) or internet banking of any of the Receiving Agents providing such services. It is to be noted that the Subscription Application Form includes further information to be strictly followed.

Upon completing, signing and submission of the Subscription Application Form, the Receiving Agent shall stamp it and give the subscriber a copy thereof.

The Eligible Shareholder agrees to subscribe for the number of New Shares stated in the Subscription Application Form submitted by him and purchase the same for an amount equivalent to:

- 1) For shares he is entitled to: an amount equivalent to number of New Shares subscribed for multiplied by Offering Price of SAR 10 per share
- 2) For additional New Shares: an amount equivalent to number of additional New Shares applied for multiplied by one of the prices indicated under the item "Subscription for additional New Shares" and in the Subscription Application Form.

The subscriber from among Eligible Shareholders is deemed to have bought the number of shares allotted to him when the following terms are fulfilled:

- The Eligible Shareholder delivers the Subscription Application Form to one of the Receiving Agents branches.
- Payment of full subscription amount (as specified above) by the Eligible Shareholder subscribing through the Receiving Agent.
- The subscribing Eligible Shareholder receives allotment notification from the Receiving Agent specifying number of New Shares allocated to him.
- Eligible Shareholders will not be allocated shares exceeding number of New Shares they subscribed for.

## 15 - 10 Allocation and Refund

- Receiving Agents shall open an escrow account called "ACIG Company Account".
- Shares of the Rights Issue will be allocated to Eligible Shareholders who subscribed proportionate to existing shares held by them at the Eligibility Date.
- A minimum of (1) share will be allocated for every (1) share held by holders of Shares on the Eligibility Date, who submit applications for that purpose and have completed subscription procedures accurately. In case of failure of subscription for all New Shares as per the formula illustrated above, the additional New Shares shall be allocated to Eligible Shareholders who have subscribed for more shares than they are entitled to, at the higher then lower and then lower of the prices indicated under Section "Subscription for Additional Shares". In case subscription applications, at any of the prices mentioned above, exceed the shares offered for sale, allocation will take place among subscribers on a pro-rata basis. The Underwriter shall buy any New Shares that have not been subscribed for during the Offering Period, if any.

- Final announcement of the final number of shares allocated to each Eligible Shareholder and surplus refund (if any), without any charges or withholdings by Lead Manager or Receiving Agents.
- Announcement regarding the allocation and refund will be made no later than 13/11/1433H (corresponding to 29/9/2012G).
- Excess of subscription monies shall be refunded in full without any fees or deductions through crediting subscribers' accounts at the Receiving Agent. Eligible Shareholders shall contact the branch of the Receiving Agent where they have submitted the Subscription Application Form to obtain any further information.

## **15 - 11 Compensation**

The compensation to Eligible Shareholders who do not subscribe for all or part of the New Shares, if any, will be paid no later than 30 days from Allocation and Refund date.

## **15 - 12 Trading of New Shares**

Trading of offered shares will take place upon completion of all relevant procedures. This is expected to take place after the return of excess funds in coordination with the Capital Market Authority and will be announced at a later date.

## **15 - 13 Acknowledgments**

By completing and presenting the Subscription Application form, the Subscriber:

- acknowledges that the duly completed and executed Subscription Application Form is a binding and unconditional proposal to purchase the shares subscribed for; therefore it cannot be modified or withdrawn by the subscriber at any time, and that the subscriber is obliged to pay the value of the shares he subscribed for or a lower value than that as per the number of shares allocated to him, and to pay all amounts due in respect of those shares
- warrants that he/she has read the Prospectus and understood all its contents;
- accepts the By-Laws of the Company and all subscription instructions, terms and conditions mentioned in the Prospectus and he/she subscribes for the Shares based on them;
- does not waive his/her right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing there from, which would directly impact the subscriber's acceptance to subscribe had it been contained in the Prospectus.
- declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form have previously subscribed for this Right Offering in which case the Company has the right to reject all applications;
- accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form;
- warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agent.

## **15 - 14 Miscellaneous**

- The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.
- The terms and conditions set here and any receipt of the Subscription Application Forms or any related Agreements are subject to regulations of the Kingdom, and shall be interpreted and executed according to such regulations. This Prospectus may be distributed in Arabic
- CMA, at its sole discretion, may cancel the application for registration and acceptance of listing of securities when it considers that the application has been pending. If the source wishes to proceed with that application, it shall submit a new one in accordance with the procedures set forth in the Listing Rules of CMA.

## **15 - 15 The Saudi Arabian Stock Exchange (Tadawul)**

Saudi Capital Market remained unofficial until the early eighties when the government started to consider creating a regulated market for trading and creating systems to that effect. In 1984, a committee composed of the Ministry of Finance and National Economy, the Ministry of Commerce and SAMA was formed to regulate and develop the exchange. SAMA was the governmental body entrusted to regulate and control the exchange until CMA was established on 02/06/1424H corresponding to 01/08/2003G under the "Capital Market Law" issued by Royal Decree No. (M/30), to oversee the regulation and control of the financial market through the issuance of regulations and rules to protect investors and ensure fairness and efficiency in the market.

In its meeting held on Monday 29 Safar 1428H, corresponding 19/3/2007G under the chairmanship of the Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz, the Cabinet approved the establishment of a Saudi joint stock company under the name "the Saudi Stock Exchange (Tadawul)". The decision comes in implementation of Article XX of the Capital market Law which requires that the legal capacity of the capital market shall be Joint Stock Company.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 a.m. to 3:30 p.m., from Saturday until Wednesday of each week. After close of exchange trading, orders can be entered, amended or deleted 10:00 a.m. until 11:00 a.m.. New entries and inquiries can be made from 10:00 a.m. of the opening phase (starting at 11:00 a.m.). These timing are subject to change during the Holy month of Ramadan, and are announced through the management of Tadawul.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed. Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

## **15 - 16 Trading on Tadawul**

The Company has filed a request with CMA to be registered in the Official List, and its Shares listed on the Saudi Stock Exchange. It is expected that dealing in the Shares will commence on Tadawul after finalizing the Right Share allocation process. Tadawul will announce on its online service the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

Although the existing shares are registered in the official list and the Company is listed in the Capital Market (Tadawul), the Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk.

## 16. Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Company in Jeddah city, Palestine Street, Jamjoom Commercial Center, floor 12, during official working hours, from 8:30 a.m. to 5:00 p.m., 20 days before the end of the Offering Period and during the term of the Offering Period.:

- By-laws of the Company.
- Certified Commercial Registration Certificate.
- Recommendation of the Board of Directors.
- Resolution of the Extraordinary General Assembly approving the increase in the Company's Capital.
- Audited Financial Statements for the period from 2008G to 2011G and for the first quarter 2012G (un-audited) and the accompanying notes.
- Consent letters from the Financial Advisor, Legal Advisor, Auditor, Lead Manager and Underwriter to include their names, logos, and any statements they provided, in the Prospectus.
- SAMA approval to increase the Company's Share Capital.
- Market study reports.
- CMA's approval.
- Copies of the material contracts and agreements.
- Senior executives' employment contracts.
- Agreements between the Company and Reinsurers.
- Marketing contracts of ACIG's products.
- Licenses issued to ACIG.

In implementation of the CMA's requirements, all documents and reports will be made available for inspection in Arabic.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(A SAUDI JOINT STOCK COMPANY)  
**FINANCIAL STATEMENTS**  
FOR THE PERIOD ENDED 31 December 2008G

## APPENDIX 1: FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008G



**Al Fozan & Al Sadhan**

P.O. Box 55078

Jeddah 21534

Saudi Arabia

**Aldar Audit Bureau**

**Abdullah Albasri & Co**

P.O. Box 20142

Jeddah 21455

Saudi Arabia

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALLIED COOPERATIVE INSURANCE GROUP (ACIG) (A SAUDI JOINT STOCK COMPANY)**

#### **SCOPE OF AUDIT:**

We have audited the accompanying balance sheet of Allied Cooperative Insurance Group (ACIG) – A Saudi Joint Stock Company ('the Company') as at 31 December 2008, and the related statements of Shareholders' Operations, Shareholders' cash flows and changes in Shareholders' equity for the period from 22 July 2007 to 31 December 2008 and the notes 1 to 19 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. Except for the matter explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

#### **QUALIFICATION:**

As described in note 2, management have prepared these financial statements in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. Based on evidence and information available to us, we have been unable to conclude whether the basis used in the preparation of these financial statements is appropriate.

#### **QUALIFIED OPINION:**

In our opinion, subject to the matter described above, in our opinion, the financial statements taken as a whole:

1. Present fairly, in all material respects, the financial position of the Company as of 31 December 2008 and the results of its operations and its cash flows for the period from 22 July 2007 to 31 December 2008 in accordance with International Financial Reporting Standards; and
2. Comply with the requirements of the Regulations for Companies and the Company's by-law with respect to the preparation and presentation of the financial statements.

**For KPMG Al Fozan & Al Sadhan**

**Tareq Abdulrahman Al Sadhan**

License No. 352

**For Aldar Audit Bureau**

**Abdullah Albasri & Co**

**Waheed Salah Gazzaz**

License No. 247



14 Safar 1430 H  
8 February 2009



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)

BALANCE SHEET

As at 31 December 2008G

	Note	SR'000
<b>SHAREHOLDERS' ASSETS</b>		
Cash and cash equivalents	4	63,703
Prepayment, advances and other receivables	5	2,581
Investment – available-for-sale	6	--
Furniture, fittings and equipments	7	1,671
Statutory deposit	8	10,000
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>77,955</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>		
<b>Shareholders' Liabilities</b>		
Due to a related party	15	4,139
Accruals and other payables	9	1,621
Accrued zakat	14	1,496
Employees' termination benefits		464
<b>Total shareholders' liabilities</b>		<b>7,720</b>
<b>Shareholders' equity</b>		
Share capital	10	100,000
Accumulated losses		(27,388)
Cumulative change in fair value of investment		(2,377)
<b>Total shareholders' equity</b>		<b>70,235</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>77,955</b>

The accompanying notes 1 to 19 form part of these financial statements..



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)

**STATEMENT OF SHAREHOLDERS' OPERATIONS**

For the period from 22 July 2007G to 31 December 2008G

	Note	For the period from 22 July 2007G to 31 December 2008G
		SR'000
General and administrative expenses	12	(25,537)
Pre-incorporation expenses written off	13	(892)
Income from murabaha deposits		3,649
<b>NET LOSS FOR THE PERIOD</b>		<b>(22,780)</b>
Weighted average number of ordinary shares outstanding (in thousands)		10,000
Net loss per share for the period (Saudi Riyals)		(2,278)

The accompanying notes 1 to 19 form part of these financial statements..



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' CASHFLOWS

For the period from 22 July 2007G to 31 December 2008G

	Note	For the period from 22 July 2007G to 31 December 2008G  SR'000
<b>OPERATING ACTIVITIES</b>		
Net loss for the period		(22,780)
Depreciation		144
<b>Changes in operating assets and liabilities:</b>		
Increase in prepayment, advances and other receivables		(2,581)
Increase in due to a related party		4,139
Increase in accruals and other payables		1,621
Increase in employees' termination benefits		464
Net cash used in operating activities		(18,993)
<b>INVESTING ACTIVITIES</b>		
Investment acquired		(2,377)
Purchase of furniture, fittings and equipments		(1,815)
Statutory deposit		(10,000)
Net cash used in investing activities		(14,192)
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	10	100,000
Transaction costs	10	(3,112)
Net cash from financing activities		96,888
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS AND BALANCE AT THE END OF THE PERIOD</b>	<b>4</b>	<b>63,703</b>

The accompanying notes 1 to 19 form part of these financial statements..

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the period from 22 July 2007G to 31 December 2008G

	Note	Share capital SR'000	Accumulated losses SR'000	Cumulative change in fair value of investment SR'000	Total SR'000
Issue of share capital	10	100,000	--	--	100,000
Transaction costs	10	--	(3,112)	--	(3,112)
Net loss for the period from 22 July 2007G to 31 December 2008G		--	(22,780)	--	(22,780)
Change in fair value of investment available-for-sale	6	--		(2,377)	(2,377)
Zakat for the period from 22 July 2007G to 31 December 2008G	14	--	(1,496)	--	(1,496)
Balance at 31 December 2008G		100,000	(27,388)	(2,377)	70,235

The accompanying notes 1 to 19 form part of these financial statements..

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2008G

### 1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group (ACIG) (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171999 dated 9 Shabaan 1428H, corresponding to 22 August 2007. The Registered Office address of the Company is Al Ruwais, P.O. Box 7076, Jeddah 21462, Kingdom of Saudi Arabia.

The object of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market on 27 August 2007.

### 2 BASIS OF PREPARATION

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment.

The financial statements are expressed in Saudi Riyals, being the functional currency of the Company. The financial statements of the Company, presented in Saudi Riyals, have been rounded off to the nearest thousand.

As per the Company's bye-laws and articles of association, the Company's first fiscal year commenced on the issuance date of the Ministerial resolution declaring the incorporation of the Company, dated 8 Rajab 1428H (corresponding to 22 July 2007), and ended on 31 December of the following Gregorian year, being 31 December 2008G. Accordingly, these financial statements, which are the first set of statutory financial statements of the Company, cover the period from 22 July 2007G to 31 December 2008G. As these are the first set of statutory financial statements of the Company, there are no comparative figures in these financial statements.

The Company has not yet commenced its commercial operations. Hence, statements of 'takaful operations balance sheet', 'takaful operations and accumulated surplus' and 'takaful operations' cash flows' have not been prepared.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The significant accounting policies adopted are as follows:

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and Murabaha deposits with an original maturity of three months or less in the Balance Sheet and Statement of Cash Flows.

#### Investment – available-for-sale

The company has investment in equity securities of an unquoted company which is not for trading purposes and the Company does not have significant influence or control, accordingly, is classified as available for sale. The investment is initially recognized at cost, being the fair value of the consideration given including associated acquisition charges.

Subsequent to initial recognition, it is measured at fair value and net unrealized gains or losses other than impairment losses, are recognized as separate component in the shareholders' equity. In the absence of quoted market price, a reasonable estimate of the fair value is determined based on the expected future cash flows from investment.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2008G

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Furniture, fittings and equipments

Furniture, fittings and equipments, are measured at cost less accumulated depreciation. Depreciation is charged to the statement of shareholders' operations on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of assets are as follow:

Furniture, fittings and office equipments	7 years
Computers	4 years
Motor vehicles	4 years

The carrying values of furniture, fittings and equipments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

#### Accrual and other payables

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

#### 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. Provisions are not recognised for future operating losses.

#### Employees' termination benefits

Benefits payable to employees of the Company at the end of their services are provided for in accordance with the guidelines set by the Saudi Arabian Labor Law and charged to the Statement of Shareholder's Operations.

#### Zakat and income tax

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year.

Zakat and income taxes are accrued and charged to the accumulated losses under statement of shareholders equity. Accordingly, amounts reimbursable by the shareholders of such zakat and income tax are credited to accumulated losses.

### 4 CASH AND CASH EQUIVALENTS

	2008G
	SR'000
Cash at Bank	
current accounts	13,297
murabaha deposits	50,406
	63,703

### 5 PREPAYMENT, ADVANCES AND OTHER RECEIVABLES

Prepayment	518
Advance to employees and suppliers	939
Accrued income on murabaha deposits	584
Other receivables	540
	2,581

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
31 December 2008G

## 6 INVESTMENT – AVAILABLE-FOR-SALE

Investment represents investment in Najm for Insurance Services Company. The movement in the investment is as follows:

	2008G
	SR'000
Acquired during the period	2,377
Change in fair value of investment during the period	(2,377)
Balance at the end of the period	--

## 7 FURNITURE, FITTINGS AND EQUIPMENTS

	Furniture, fittings and office equip- ments	Computers	Motor Vehicles	Total 2008G
	SR'000	SR'000	SR'000	SR'000
Cost:				
Addition for the period and balance at 31 December 2008G	1,669	91	55	1,815
Depreciation:				
Charge for the period and balance at 31 December 2008G	141	2	1	144
Net book value at 31 December 2008G	1,528	89	54	1,671

## 8 STATUTORY DEPOSIT

	2008G
	SR'000
Statutory deposit	10,000

As required by Saudi Arabian Insurance regulations, the Company deposited 10% of its paid up capital, amounting to SR 10 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA).

## 9 ACCRUALS AND OTHER PAYABLES

	2008G
	SR'000
Accrued expenses	1,263
Other payables	358
	1,621

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2008G

### 10 SHARE CAPITAL

- a) The 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 six million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company and the remaining four million shares with a nominal value of SR 10 each have been subscribed by the public.
- b) The Company incurred a sum of SR 3,112 million as transaction costs to raise capital of SR 40 million through an Initial Public Offering (IPO) (see (a) above) and this amount has been deducted from equity.

### 11 STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution. As the Company has incurred a loss during the period from 22 July 2007G to 31 December 2008G, no transfer to statutory reserve has been made.

### 12 GENERAL AND ADMINISTRATIVE EXPENSES

	For the period from 22 July 2007G to 31 December 2008G
	SR'000
Salaries and other benefits	14,407
Utility charges	339
Traveling charges	344
Office rent	649
Repair and maintenance charges	104
Legal and professional fees	3,922
Subscription expenses	1,250
Registration expenses	71
Letter of Guarantee expenses	1,543
Risk management fees	480
Feasibility fees	250
Advertising expenses	726
Board and audit committee expenses – attendance fee (see note 15)	137
Depreciation	144
Audit Fee	160
Others	1,011
	25,537

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
31 December 2008G

### 13 PRE – INCORPORATION EXPENSES WRITTEN OFF

	2008G
	SR'000
Legal and professional fees	705
Consultancy fees	157
Board expenses – attendance fee (see not 15)	30
	892

### 14 ZAKAT AND INCOME TAX

#### ZAKAT

Charge for the period	1,496
-----------------------	-------

The provision for the period is based on the following:

Equity	100,000
Adjusted loss for the period	(25,174)
Zakat base	74,826
Attributable to Saudi shareholders @ 80%	59,860

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

#### INCOME TAX

Foreign shareholder, being Islamic Development Bank (IDB) is exempt from income tax.

### 15 TRANSACTIONS WITH AFFILIATES

In addition to the transactions described in note 12 and 13, following are the details of major related party transaction during the period and the related balance at the end of the period:

Related party	Nature of transaction	Amount of transaction SR'000	Balance at 31 December 2008G SR'000
Shareholder	Transaction cost paid on behalf of the Company (IPO) and recharged to the Company	3,112	
Shareholder	Furniture, fittings, computers and office equipment acquired on behalf of the Company and recharged to the Company	2,507	
Shareholder	Pre-incorporation and general and administrative expenses including receiving bank and underwriting fees (for IPO related services) paid on behalf the Company and recharged to the Company	24,198	4,139

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
31 December 2008G

## **15 TRANSACTIONS WITH AFFILIATES (continued)**

### **Compensation of key management personnel**

The aggregate compensation of key management personnel is disclosed as follows:

Nature of transaction	Amount of transaction SR'000	Balance at 31 December 2008G SR'000
Board and audit committee attendance fee (Note 12)	137	--
Short term employee benefits (salaries and allowances)	3,001	53
Employees' end of service benefits	122	122

## **16 COMMITMENTS AND CONTINGENCIES**

At 31 December 2008G, the Company had capital commitment of SR. 620,541.

## **17 RISK MANAGEMENT**

### **Commission rate risk**

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments.

The Company is not exposed to any significant commission rate risk.

### **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 losses due to exchange rate fluctuations as the Company primarily deals in Saudi Riyal.

### **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.

At 31 December 2008, the Company is not exposed to any significant credit risk.

## **18 FAIR VALUES OF FINANCIAL ASSETS / LIABILITIES**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, investment and its financial liabilities consist of accruals, other payables and due to a related party. The fair values of financial assets and liabilities are not materially different from their carrying values.

## **19 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Board of Directors on dated 14 Safar 1430 H, corresponding to 8 February 2009G.



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(Saudi Joint Stock Company)  
FINANCIAL STATEMENTS  
December 31, 2009G



**Al Fozan & Al Sadhan**  
P.O. Box 55078  
Jeddah 21534  
Saudi Arabia

**Aldar Audit Bureau** 

**Abdullah Albasri & Co**  
P.O. Box 20142  
Jeddah 21455  
Saudi Arabia

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)**

**SCOPE OF AUDIT:**

We have audited the accompanying statement of financial position of Allied Cooperative Insurance Group (ACIG) – A Saudi Joint Stock Company ('the Company') as at 31 December 2009, and the related statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive loss, insurance operations cash flows, shareholders' operations cash flows and changes in shareholders' equity for the year ended 31 December 2009 and the notes 1 to 23 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**UNQUALIFIED OPINION:**


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

- present fairly, in all material respects, the financial position of the Company as of 31 December 2009 and the results of its operations and its cash flows in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies and the Company's article of association in so far as they effect the preparation and presentation of the financial statements.

**EMPHASIS OF MATTER:**

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.



Aldar Audit Bureau 

We further draw attention to Note 3 to the accompanying financial statements, which states that ability of the company to continue as a going concern is dependent upon future profitable operations and continued financial support from shareholders in order to enable it to cover its losses and settle its liabilities. The accompanying financial statements have been prepared on the assumption that the Company will continue in business as a going concern, and do not include any adjustments that might result from the outcome of this uncertainty.

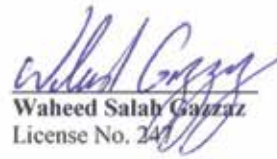
For KPMG Al Fozan & Al Sadhan



Tareq Abdulrahman Al Sadhan  
License No. 352



For Aldar Audit Bureau  
Abdullah Albasri & Co



Waheed Salah Gazzaz  
License No. 247



9 Rabi' al Awal 1431 H  
23 February 2010

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF FINANCIAL POSITION

As at December 31, 2009G

	Note	2009G SR'000	2008G SR'000
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	1,989	--
Receivable from policyholders	6	3,701	--
Reinsurance share of unearned insurance contributions	12	2,542	--
Reinsurance share of outstanding claims	13	24,910	--
Deferred policy acquisition cost		109	--
Due from Shareholders operations		100	--
<b>Total insurance operations' assets</b>		<b>33,351</b>	<b>--</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	35,405	63,703
Prepayments, advances and other receivables	7	4,037	2,581
Investment – available-for-sale	8	2,877	--
Furniture, fittings and office equipment	9	4,991	1,671
Statutory deposit	10	10,000	10,000
<b>Total shareholders' assets</b>		<b>57,310</b>	<b>77,955</b>
<b>TOTAL ASSETS</b>		<b>90,661</b>	<b>77,955</b>

The accompanying notes 1 to 23 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF FINANCIAL POSITION

As at December 31, 2009G

	Note	2009G SR'000	2008G SR'000
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Reinsurance balance payable		2,529	--
Unearned contributions	12	4,428	--
Unearned commission income		628	--
Outstanding claims	13	25,217	--
Accrued expenses and other liabilities		549	--
Total insurance operations' liabilities		33,351	--
Insurance operations' deficit / (surplus)			
Deficit from Insurance Operations		--	--
Total insurance operations' liabilities and surplus		33,351	--
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Due to a related party	19	3,024	4,139
Due to insurance operations		100	--
Accruals and other payables	11	2,423	1,621
Accrued zakat	18	1,061	1,496
Employees' termination benefits		805	464
Total shareholders' liabilities		7,413	7,720
Shareholders' equity			
Share capital	14	100,000	100,000
Accumulated losses		(50,103)	(27,388)
Cumulative change in fair value of investment		--	(2,377)
Total shareholders' equity		49,897	70,235
Total shareholders' liabilities and equity		57,310	77,955
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		90,661	77,955

The accompanying notes 1 to 23 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS  
For the year ended December 31, 2009G

	Note	2009G SR'000	For the period from July 22, 2007G to December 31, 2008G SR'000
<b>REVENUE</b>			
Gross insurance contributions		6,130	--
Less: Reinsurance share		(3,392)	--
Retained insurance contribution		2,738	--
Change in unearned contribution		(1,886)	--
Net retained insurance contribution		852	--
Reinsurance commission earned		131	--
Total insurance revenue		983	--
<b>COST AND EXPENSES</b>			
Gross claims paid		89	--
Less: Reinsurance share		(41)	--
Net claims paid		48	--
Change in outstanding claims		307	--
Net claims incurred		355	--
Policy acquisition cost		41	--
Excess of loss expenses		170	--
General and administrative expenses	16	11,562	--
Total cost and expenses		12,128	--
Deficit from insurance operations		(11,145)	--
Deficit transfer to shareholders' operations		11,145	--

The accompanying notes 1 to 23 form an integral part of these financial statements.

# ALLIED COOPERATIVE INSURANCE`GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended December 31, 2009G

	Note	2009G SR'000	For the period from July 22, 2007G to December 31, 2008G SR'000
Deficit from insurance operation		(11,145)	--
General and administrative expenses	16	(12,931)	(25,537)
Pre-incorporation expenses	17	--	(892)
Income from murabaha deposits		343	3,649
NET LOSS FOR THE YEAR / PERIOD BEFORE ZAKAT CHARGES		(23,733)	(22,780)
Zakat on Islamic Development Bank (IDB) shareholding	18	(478)	--
NET LOSS FOR THE YEAR / PERIOD		(24,211)	(22,780)
Weighted average number of ordinary shares outstanding (in thousands)		10,000	10,000
Net loss per share for the year / period (Saudi Riyals)		(2.42)	(2.27)

The accompanying notes 1 to 23 form an integral part of these financial statements.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## STATEMENT OF COMPREHENSIVE LOSS

For the year ended December 31, 2009G

	2009G	For the period July 22, 2007G to December 31, 2008G
	SR'000	SR'000
Net loss for the year / period	(24,211)	(22,780)
Other comprehensive income / (loss) - change in fair value of investment available-for-sale	2,377	(2,377)
Total comprehensive loss for the year / period	(21,834)	(25,157)

The accompanying notes 1 to 23 form an integral part of these financial statements.



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF INSURANCE OPERATIONS CASH FLOWS  
For the year ended December 31, 2009G

	2009G	For the period July 22, 2007G to December 31, 2008G
	SR'000	SR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net deficit for the year / period from the Insurance Operations	--	--
Changes in operating assets and liabilities:		
Receivable from policyholders	(3,701)	--
Reinsurance share of unearned insurance contribution	(2,542)	--
Reinsurance share of outstanding claims	(24,910)	
Deferred policy acquisition cost	(109)	--
Reinsurance balance payable	2,529	--
Unearned contributions	4,428	--
Unearned commission income	628	--
Outstanding claims	25,217	
Accrued expenses and other liabilities	549	--
Due from shareholders' operations	(100)	--
Net cash from operating activities	1,989	--
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS AND BALANCE AT THE END OF THE YEAR / PERIOD</b>	<b>1,989</b>	<b>--</b>

The accompanying notes 1 to 23 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS  
For the year ended December 31, 2009G

	2009G	For the period July 22, 2007G to December 31, 2008G
	SR'000	SR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year / period before Zakat charge of IDB	(23,733)	(22,780)
Adjustments for the year / period:		
Depreciation	490	144
Employees' termination benefits, net	341	464
	(22,902)	(22,172)
Changes in operating assets and liabilities:		
Decrease / (increase) in prepayments, advances and other receivables	889	(2,581)
Increase in due to insurance operations	100	--
Increase in accruals and other payables	802	1,621
(Decrease) / increase in due to a related party	(1,115)	4,139
Zakat paid	(1,762)	--
Net cash used in operating activities	(23,988)	(18,993)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to investment	(500)	(2,377)
Purchase of furniture, fittings and office equipment	(3,810)	(1,815)
Statutory deposit	--	(10,000)
Net cash used in investing activities	(4,310)	(14,192)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issued share capital	--	100,000
Transaction costs	--	(3,112)
Net cash from financing activities	--	96,888
NET( DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(28,298)	63,703
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR / PERIOD	63,703	--
CASH AND CASH EQUIVALENTS AT THE END OF YEAR / PERIOD	35,405	63,703

The accompanying notes 1 to 23 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
For the year ended December 31, 2009G

	Share capital	Accumulated losses	Cumulative change in fair value of investment	Total
	SR'000	SR'000	SR'000	SR'000
Issuance of share capital	100,000	--	--	100,000
Transaction cost		(3,112)	--	(3,112)
Net comprehensive loss for the period from July 22, 2007G to December 31, 2008G	--	(22,780)	(2,377)	(25,157)
Zakat for the period	--	(1,496)	--	(1,496)
Balance as at December 31, 2008G	100,000	(27,388)	(2,377)	70,235
Net comprehensive loss for the year	--	(24,211)	2,377	(21,834)
Zakat for the year	--	(849)	--	(849)
Zakat reimbursable from shareholders	--	2,345	--	2,345
Balance at December 31, 2009G	100,000	(50,103)	--	49,897

The accompanying notes 1 to 23 form an integral part of these financial statements.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009G

### 1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group (ACIG) (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171999 dated 9 Shabaan 1428H, corresponding to 22 August 2007. The Registered Office address of the Company is Al Ruwais, P.O. Box 7076, Jeddah 21462, Kingdom of Saudi Arabia.

The object of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market on 27 August 2007. The company has commenced its commercial operations on 1 July 2009G.

### 2 BASIS OF PREPARATION

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

The financial statements are prepared under the historical cost convention.

The Company maintains separate books of account for insurance operations and shareholders operations. Asset, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is not yet determined by management and Board of Directors. These expenses are charged to "Statement of Insurance Operations".

The Company distributes a minimum of 10% of the net annual insurance surplus arising from the Insurance Operations to the policyholders and transfers the balance to the shareholders' operations. The Company, in cooperation with the policyholders' the payment of any deficit in the Insurance Operations as an interest free loan to be repaid to the shareholders' from the future profits of the Insurance Operations.

The financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand.

The Company follows a fiscal year ending 31 December.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

### 3 GOING CONCERN

The Board of Directors met on 27 October, 2009G, in view of the erosion of share capital and future profitable operations and resolved that the Company should continue in business and have proposed to increase its share capital from SR 100 Million to SR 250 Million. The directors fully believe that the shareholders will resolve at the next general assembly meeting for the Company to continue in business and enable the capital of the Company to be increased. In addition to the shareholders' approval at the next general assembly meeting, the Company further needs to obtain approval from the regulators i.e. Saudi Arabian Monetary Agency (SAMA) and Capital Market Authority (CMA) for increase in share capital.

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

The significant accounting policies and assumptions adopted are as follows:

Standards, interpretations and amendments to published approved accounting standards

The Company has chosen not to early adopt the amendments and the newly issued standards as follows:

Improvements to IFRSs 2009G – various standards effective date 1 January 2010G

Amendments to IAS 32 Financial Instruments: Presentation

Classification of Rights Issues effective date 1 February 2010G

IFRIC 19 Extinguishing Financial Liabilities with Equity

Instruments effective date 1 July 2010G

IAS 24 Related Party Disclosures (revised 2009G) effective date 1 January 2011G

IFRS 9 Financial Instruments effective date 1 January 2013G

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009G

The application of the above amendments 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.

### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances with banks including Murabaha deposits with an original maturity of three months or less from the date of original acquisition.

### Receivable from policyholders

Insurance balances receivable are stated at original invoice amount less any provision made for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### Reinsurance

In the ordinary course of business, the Company cedes insurance contribution and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the Insurance Operation's statement of financial position representing Contribution due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

### Deferred policy acquisition cost

Commission and other costs of acquiring insurance contracts that are primarily related to securing new contracts are capitalized and are subsequently amortized over the life of the contract on a basis consistent with the terms of the related policy coverage.

### Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduced significantly during this period.

Contributions, in respect of insurance contracts, are recognized as revenues over the contribution paying period of the related policies.

### Claims

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date is 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 (IBNR) at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the Statement of Insurance' Operations for that year.

### Investment – available-for-sale

The Company's financial assets include available-for-sale investments. The classification depends on the purpose for which the investments were acquired or originated.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009G

Investments which are classified as "available for sale" are initially recorded at cost and are subsequently measured at fair value. Available-for-sale investments are those intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates, exchange rates or equity prices. For an available for sale investment where the fair value has not been hedged, any gain or loss arising from a change in its fair value is recognized directly in shareholders' equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in the shareholders' equity should be transferred to the statement of shareholders' operations for the year. Available for sale investments whose fair value cannot be reliably measured are carried at cost less impairment in value.

### Furniture, fittings and equipment

Furniture, fittings and equipments, are measured at cost less accumulated depreciation. Depreciation is charged to the statement of shareholders' operations on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of assets are as follow:

	Years
Leasehold improvements, furniture, fittings and office equipments	7
Computers and software	4
Motor vehicles	4

The carrying values of furniture, fittings and equipments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

### Accrual and other payables

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

### 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. Provisions are not recognised for future operating losses.

### Employees' termination benefits

Benefits payable to employees of the Company at the end of their services are provided for in accordance with the guidelines set by the Saudi Arabian Labor Law and charged to the Statement of Insurance Operations and Shareholder's Operations.

### Revenue recognition

Gross insurance contribution and insurance commission are recognised when the insurance policy is issued or renewed. The portion of the contributions and commissions that will be earned in the future is reported as unearned contributions and commissions, respectively, as is deferred on a basis consistent with the terms of the related policy coverage. The unearned portion for marine cargo shall be the contribution written during the last three months of the current reporting date.

### Pre-incorporation expenses

Pre-incorporation expenses comprise expenditure incurred prior to commencement of commercial operations of the Company. These costs include legal and professional fees, various fees relating to registering the Company, advertising and promotion expenses relating to establishing the Company, and transaction costs incurred on the Initial Public Offering. Pre-incorporation expenses have been written off during the period.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009G

### Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations by establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

### Zakat and income tax

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year.

Zakat and income taxes are accrued and charged to the accumulated losses under statement of shareholders equity. Accordingly, amounts reimbursable by the shareholders of such zakat and income tax are credited to accumulated losses.

### Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currencies of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currencies of the Company at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the consolidated statement of income currently.

### Impairment of financial assets

Financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

### Segment reporting

The Company's primary format for segment reporting is based on business segments, (motors, medical and others) determined on the basis of Company's management and internal reporting structure. Company's operations has commenced in the third quarter of 2009G. According to the segment information included in Note 22 of the financial statement.

### 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 are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

### Fair Value

The fair value of financial instruments that are actively traded in organized 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 balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is not an active market, the 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 a similar instrument.

### Derecognition of financial assets

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

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009G

## 5 CASH AND CASH EQUIVALENTS

	2009G SR'000	2008G SR'000
<i>Insurance Operations</i>		
Cash at bank – current account	1,989	--
<i>Shareholders' Operations</i>		
Cash in hand	46	--
<i>Cash at bank</i>		
- current accounts	35,359	13,297
- murabaha deposits	--	50,406
	35,405	63,703

## 6 RECEIVABLES FROM POLICYHOLDERS

	2009G SR'000	2008G SR'000
<i>Insurance' Operations</i>		
Receivable from policyholders – Other customers	2,490	--
Receivable from policy holders - Related parties (Note 19)	1,228	--
Provision for doubtful debts	(17)	--
	3,701	--

Trade debts amounting to SR 17 thousand (2008G: SR 0) are overdue, in terms of the Company's allowed credit periods, duly provided. It is not the practice of the Company to obtain collateral over receivable from policyholders and the balance therefore is unsecured.

## 7 PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	2009G SR'000	2008G SR'000
<i>Shareholders' Operations</i>		
Zakat reimbursable from shareholders	2,345	--
Prepayments	365	518
Advances to employees and suppliers	1,327	939
Accrued income on murabaha deposits	--	584
Other receivables	--	540
	4,037	2,581



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
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NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009G

## 8 INVESTMENT – AVAILABLE – FOR - SALE

### Shareholders' operations

Investment represents investment in share capital of Najm for Insurance Services Company. The movement in the investment is as follows:

	2009G SR'000	2008G SR'000
Balance at beginning of the year / period	--	2,377
Acquired during the year / period	500	--
Change in fair value of investment during the year / period	2,377	(2,377)
Balance at end of the year / period	2,877	--

Based on the available information, cumulative change in fair value of investment has been released during the year (Note 21).

## 9 FURNITURE, FITTINGS AND EQUIPMENT

	Leasehold improve- ments, furniture, fittings and office equipments	Computers and software	Motor Vehicles	Total 2009G
	SR'000	SR'000	SR'000	SR'000
<b>Cost:</b>				
At the beginning of the year	1,669	91	55	1,815
Additions	2,091	1,684	35	3,810
December 31, 2009G	3,760	1,775	90	5,625
<b>Depreciation:</b>				
At the beginning of the year	141	2	1	144
Charge during the year	309	159	22	490
December 31, 2009G	450	161	23	634
<b>Net book value:</b>				
December 31, 2009G	3,310	1,614	67	4,991
December 31, 2008	1,528	89	54	1,671

## 10 STATUTORY DEPOSIT

### Shareholders' operations

	2009G SR'000	2008G SR'000
Statutory deposit	10,000	10,000

As required by law on supervision of cooperative insurance companies, the Company deposited 10% of its paid up capital, amounting to SR 10 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). This deposit cannot be withdrawn without SAMA's consent.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009G

## 11 ACCRUALS AND OTHER PAYABLES

	2009G SR'000	2008G SR'000
Shareholders' operations		
Accrued expenses	1,915	1,263
Other payables	508	358
	2,423	1,621

## 12 UNEARNED CONTRIBUTION

	2009G SR'000	2008G SR'000
Insurance operations		
Unearned contribution	4,428	--
Reinsurance share of unearned contribution	(2,542)	--
Net unearned contribution	1,886	--

## 13 OUTSTANDING CLAIMS - NET

	2009G SR'000	2008G SR'000
Insurance operations		
Gross outstanding claims	25,174	--
Add: Incurred but not reported (IBNR) reserve	43	--
Outstanding claims	25,217	--
Reinsurance share of outstanding claims	(24,910)	--
Outstanding claims – Net	307	--

## 14 SHARE CAPITAL

### Shareholders' operations

The 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 six million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company and the remaining four million shares with a nominal value of SR 10 each have been subscribed by the public.

## 15 STATUTORY RESERVE

### Shareholders' operations

As required by law on supervision of cooperative insurance companies, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution. As the Company has incurred a loss during the year ended December 31, 2009G, no transfer to statutory reserve has been made.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009G

**16 GENERAL AND ADMINISTRATIVE EXPENSES**

	2009G	For the period from July 22, 2009G to December 31, 2008G
	SR'000	SR'000
<b>Insurance operations</b>		
Salaries and other benefits	8,669	--
Utility charges	358	--
Traveling charges	188	--
Office rent	756	--
Running and maintenance charges	122	--
Legal and professional fees	623	--
Advertising expenses	117	--
Depreciation	326	--
Others	403	--
	<b>11,562</b>	<b>--</b>
<b>Shareholders' operations</b>		
Salaries and other benefits	8,780	14,407
Utility charges	256	339
Traveling charges	339	344
Office rent	875	649
Running and maintenance charges	113	104
Legal and professional fees	1,056	7,516
Advertising expenses	187	726
Depreciation	164	144
Board and audit committee expenses – attendance fee (Note 19)	149	137
Others	1,012	1,171
	<b>12,931</b>	<b>25,537</b>

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
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NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009G

## 17 PRE-INCORPORATION EXPENSES

	2009G	For the period from July 22, 2009G to December 31, 2008G
	SR'000	SR'000
Shareholders Operations		
Legal and professional fees	--	862
Board attendance fee	--	30
	--	892

## 18 ZAKAT AND INCOME TAX

### ZAKAT

	2009G	2008G
	SR'000	SR'000
Charge for the year / period	1,061	1,496

Zakat charge for the year / period is based on the Zakat base which has the following significant components:

	2009G	2008G
	SR'000	SR'000
Equity at the beginning of the year / period	74,826	100,000
Adjusted loss for the period	(32,388)	(25,174)
Zakat base	42,438	74,826
Attributable to Saudi shareholders	33,950	59,860

### ACCRUED ZAKAT

	2009G	2008G
	SR'000	SR'000
Balance at the beginning of the year / period	1,496	--
Charge for the year / period	849	1,496
Additional Zakat paid for IDB shareholding	478	--
Payment during the year / period	(1,762)	--
Balance at the end of the year / period	1,061	1,496

#### Status of Assessments

Zakat and tax returns have been submitted to Department of Zakat and Income Tax ("DZIT") for the period ended 31 December 2008G and Zakat certificate has been received from DZIT. However, the assessments have not yet been raised. The DZIT has charged additional Zakat amounting to SR. 266,564 for IDB shareholding with which IDB is not in agreement with. Further the Company has not yet filed appeal against it. Hence said charge together with the estimated current year's Zakat charge on IDB share is charged to shareholders operations.

#### INCOME TAX

Foreign shareholder, being IDB is exempt from income tax.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009G

### 19 TRANSACTIONS WITH RELATED PARTIES

In addition to the transaction described in note 16, following are the details of major related party transaction during the period and the related balance at the end of the period:

Related party	Nature of transaction	Amount of transaction SR'000	Balance at 31 December 2009G SR'000
Shareholder	General and administrative expenses paid and contribution collection on behalf the Company and recharged / deposited to the Company	2,522	(3,024)
Shareholder's Operations	Expenses incurred on behalf of policyholders account	11,562	100
Affiliates	Insurance premium	1,253	1,228

#### Compensation of key management personnel

The aggregate compensation of key management personnel is disclosed as follows:

Nature of transaction	Amount of transaction SR'000	Balance at 31 December 2009G SR'000
Board and audit committee attendance fee (Note 16)	149	--
Short term employee benefits	4,802	380
Employees' termination benefits	293	217

### 20 RISK MANAGEMENT

#### Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated claims.

Significant portion of reinsurance business ceded is placed on facultative and quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the Statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

#### Re-insurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers of minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with standards & poors) and AA- (with AM Best) and of reputation have been adopted by the Co.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009G

### 20 RISK MANAGEMENT (continued)

#### Regulatory framework

The operations of the Company are subject to local regulatory requirements within the jurisdictions 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 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.

#### Maturity profile

For insurance contract liabilities and reinsurance assets maturity profile are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premium and reinsurance share of unearned premiums have been excluded as they are not contractual obligations.

Except for statutory deposit and investment which have no fixed maturity, the maturities of all the financial assets and liabilities does not fall beyond one year from the reporting date.

#### Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments.

The shareholders and insurance operations are not subject to any significant commission rate risk.

#### 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 losses due to exchange rate fluctuations as the Company primarily deals in Saudi Riyal.

#### 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.

At 31 December 2009G, the Company is not exposed to any significant credit risk.

#### 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 funds are available to meet any commitments as they arise.

Insurance operations financial liabilities consist of reinsurer payable, amount due to related party and other payables, and shareholders liabilities represent other payables. All financial liabilities, which are non-interest bearing, are expected to be settled within 12 month from the reporting date.

#### Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as the going concern in order to provide returns for Shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure, the Board of Directors have resolved to increase the share capital of the Company from SR 100 million to 250 million (Note 3).

### 21 FAIR VALUES OF FINANCIAL ASSETS / LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, investment and its financial liabilities consist of accruals, other payables and due to a related party. The fair values of financial assets and liabilities are not materially different from their carrying values.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009G

### 22 SEGMENT REPORTING

Segment information is presented in respect of the company's business segment that is general business. General business includes Fire, Engineering, General Accident and Marine based on the company's management and internal reporting structure. Segment results include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

#### Operating segments

	Medical	Motor	Others	Total
			(See above)	
Gross insurance contribution	--	--	6,130	6,130
Net retained insurance contribution	--	--	852	852
Unallocated expenses	--	--	11,562	11,562
Deficit from insurance operations	--	--	(11,145)	(11,145)
As at 31 December 2009G				
<b>Insurance operation assets</b>				
Reinsurance companies' share of unearned contribution	--	--	2,542	2,542
Reinsurance share of outstanding claims	--	--	24,910	24,910
Deferred policy acquisition cost	--	--	109	109
Total assets	--	--	33,351	33,351
<b>Insurance operation liabilities</b>				
Unearned contribution	--	--	4,428	4,428
Outstanding claims	--	--	25,217	25,217
Total liabilities	--	--	33,351	33,351

Shareholders Operations is a non-operating segment.

### 23 GENERAL

23.1 Certain figures of prior period have been reclassified to conform with the current year's presentation.

23.2 These financial statements have been approved by the Board of Directors on dated 9 Rabi al awal 1431 H, corresponding to 23 February 2010G.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
FINANCIAL STATEMENTS  
DECEMBER 31, 2010G





**Al Fozan & Al Sadhan**

License No. 46/11/323  
Issued 11/3/1992  
P.O. Box 55078  
Jeddah 21534  
Saudi Arabia



**Aldar Audit Bureau**

Abdulla AlBasri & Co.  
Member firm of Grant Thornton International  
License No. 323/11/36/1  
P.O. Box 20142 – Jeddah 21455  
Kingdom of Saudi Arabia

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)**

**SCOPE OF AUDIT:**

We have audited the accompanying statement of financial position of Allied Cooperative Insurance Group (ACIG) - A Saudi Joint Stock Company ('the Company') as at 31 December 2010, and the related statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive loss, insurance operations cash flows, shareholders' operations cash flows and changes in shareholders' equity for the year ended 31 December 2010 and the notes 1 to 25 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**UNQUALIFIED OPINION:**

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

- present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and the results of its operations and its cash flows in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies and the Company's article of association in so far as they effect the preparation and presentation of the financial statements.

**EMPHASIS OF MATTER:**

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.



Al Fozan & Al Sadhan



Aldar Audit Bureau

We further draw attention to Note 3 to the accompanying financial statements, which states that the Board of Directors has considered the financial position of the company and is taking steps to increase its share capital from SR 100 million to SR 200 million. The ability of the company to continue operations as a going concern is dependent upon future profitable operations and the success of the proposed increase in share capital. The accompanying financial statements have been prepared on the assumption that the Company will continue in business as a going concern, and do not include any adjustments that might result from the outcome of this uncertainty.

For KPMG Al Fozan  
& Al Sadhan

Tareq Abdulrahman Al Sadhan  
License No. 352



20 Rabi Awwal 1432 H

23 February 2011

For Aldar Audit Bureau  
Abdullah Albasri & Co

Waheed Salah Gajaz  
License No. 247



**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
**(SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2010G

	Note	2010G	2009G
<b>INSURANCE OPERATIONS' ASSETS</b>			
Cash and cash equivalents	5	23,662	1,989
Receivable from policyholders	6	15,918	3,701
Reinsurance companies' share of unearned insurance premium	12	13,853	2,542
Reinsurance companies' share of outstanding claims	13	7,627	24,910
Deferred policy acquisition cost		14,134	109
Due from Shareholders operations	19	9,884	100
Prepayments, advances and other receivables	7	911	--
Furniture, fittings and office equipment	9	5,541	--
Investments	8	10,020	--
<b>Total insurance operations' assets</b>		<b>101,550</b>	<b>33,351</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and cash equivalents	5	25,242	35,405
Prepayments, advances and other receivables	7	2,345	4,037
Investments	8	2,893	2,877
Furniture, fittings and office equipment		--	4,991
Statutory deposit	10	10,000	10,000
<b>Total shareholders' assets</b>		<b>40,480</b>	<b>57,310</b>
<b>TOTAL ASSETS</b>		<b>142,030</b>	<b>90,661</b>

The accompanying notes 1 to 25 form an integral part of these financial statements.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## STATEMENT OF FINANCIAL POSITION

As at December 31, 2010G

	Note	2010G	2009G
<b>Insurance operations' liabilities and surplus</b>			
Reinsurance balance payable		12,796	2,529
Unearned premium	12	65,756	4,428
Unearned commission		2,393	628
Outstanding claims	13	14,122	25,217
Accrued expenses and other liabilities	11	3,041	549
Due to a related party	19	2,022	--
Employees' termination benefits		1,420	--
<b>Total insurance operations' liabilities</b>		<b>101,550</b>	<b>33,351</b>
<b>Insurance operations' deficit / (surplus)</b>			
Deficit from Insurance Operations		--	--
<b>Total insurance operations' liabilities and surplus</b>		<b>101,550</b>	<b>33,351</b>
<b>Shareholders' liabilities and equity</b>			
<b>Shareholders' liabilities</b>			
Due to a related party		--	3,024
Due to insurance operations	19	9,884	100
Accruals and other payables	11	376	2,423
Accrued zakat	18	664	1,061
Employees' termination benefits		--	805
<b>Total shareholders' liabilities</b>		<b>10,924</b>	<b>7,413</b>
<b>Shareholders' equity</b>			
Share capital	14	100,000	100,000
Accumulated losses		(70,444)	(50,103)
<b>Total shareholders' equity</b>		<b>29,556</b>	<b>49,897</b>
<b>Total shareholders' liabilities and equity</b>		<b>40,480</b>	<b>57,310</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>142,030</b>	<b>90,661</b>

The accompanying notes 1 to 25 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS  
For the year ended December 31, 2010G

	Note	2010G	2009G
<b>REVENUE</b>			
Gross insurance premium		98,385	6,130
Less: Reinsurance share		(26,349)	(3,392)
Retained insurance premium		72,036	2,738
Change in unearned premium		(50,018)	(1,886)
Net retained insurance premium		22,018	852
Reinsurance commission earned		2,046	131
Total insurance revenue		24,064	983
<b>COST AND EXPENSES</b>			
Gross claim paid		28,217	89
Less: Reinsurance share		(22,618)	(41)
Net claim paid		5,599	48
Change in outstanding claims & IBNR		6,190	307
Net claim incurred		11,789	355
Policy acquisition cost		5,531	41
Excess of loss expenses		1,294	170
Selling and marketing expenses	16	6,641	4,475
General and administrative expenses	17	18,280	7,087
Total cost and expenses		43,535	12,128
Income from trading investments		20	--
Other income		2	--
Deficit from insurance operations		(19,449)	(11,145)
Deficit transfer to shareholders' operations		19,449	11,145

The accompanying notes 1 to 25 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE`GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF SHAREHOLDERS' OPERATIONS  
For the year ended December 31, 2010G

	Note	2010G	2009G
Deficit from insurance operations		(19,449)	(11,145)
General and administrative expenses		(502)	(12,931)
Income from trading investments		316	--
Income from murabaha deposits		1	343
Net loss for the year before Zakat Charges		(19,634)	(23,733)
Zakat on Islamic Development Bank (IDB) shareholding		--	(478)
NET LOSS FOR THE YEAR		(19,634)	(24,211)
Weighted average number of ordinary shares outstanding (in thousands)		10,000	10,000
Net loss per share for the year (Saudi Riyals)		(1.96)	(2.42)

The accompanying notes 1 to 25 form an integral part of these financial statements.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## STATEMENT OF COMPREHENSIVE LOSS

For the year ended December 31, 2010G

	Note	2010G	2009G
Net loss for the year		(19,634)	(24,211)
Other comprehensive income / (loss) - change in fair value of investment available-for-sale		--	2,377
Total comprehensive loss for the year		(19,634)	(21,834)

The accompanying notes 1 to 25 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS  
For the year ended December 31, 2010G

	2010G	2009G
<b>Cash flows from operating activities</b>		
Net deficit for the year from the Insurance Operations	--	--
<b>Adjustments for the period:</b>		
Depreciation	1,044	--
Income from trading investments	(20)	--
Employees' termination benefits, net	614	--
<b>Changes in operating assets and liabilities:</b>		
Receivable from policyholders	(12,217)	(3,701)
Reinsurance share of unearned insurance contribution	(11,311)	(2,542)
Reinsurance share of outstanding claims	17,283	(24,910)
Deferred policy acquisition cost	(14,025)	(109)
Prepayments, advances and other receivables	782	--
Reinsurance balance payable	10,267	2,529
Unearned premium	61,328	4,428
Unearned commission income	1,765	628
Due to a related party	(1,002)	--
Outstanding claims	(11,095)	25,217
Accruals and other payables	482	549
Due from shareholders' operations	(10,628)	(100)
<b>Net cash from operating activities</b>	<b>33,267</b>	<b>1,989</b>
<b>Cash flows from investing activities</b>		
Purchase of furniture, fittings and office equipment	(1,594)	--
Investment acquired	(10,000)	--
<b>Net cash used in investing activities</b>	<b>(11,594)</b>	<b>--</b>
<b>Net increase in cash and cash equivalents</b>	<b>21,673</b>	<b>1,989</b>
<b>Cash and cash equivalents at 1 January</b>	<b>1,989</b>	<b>--</b>
<b>Cash and Cash equivalents at the end of the year</b>	<b>23,662</b>	<b>1,989</b>

The accompanying notes 1 to 25 form an integral part of these financial statements.



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS  
For the year ended December 31, 2010G

	2010G	2009G
Cash flows from operating activities		
Net loss for the year before Zakat charge of IDB	(19,634)	(23,733)
Adjustments for the year:		
Depreciation	--	490
Employees' termination benefits, net	--	341
Income from trading investments	(316)	--
Income from Murabaha deposit	(1)	--
	(19,951)	(22,902)
Changes in operating assets and liabilities:		
Decrease in prepayments, advances and other receivables	--	889
Increase in due to insurance operations	10,628	100
(Decrease)/ Increase in accruals and other payables	(35)	802
Decrease in due to a related party	--	(1,115)
Zakat paid	(1,105)	(1,762)
Net cash used in operating activities	(10,463)	(23,988)
Cash flows from investing activities		
Investment acquired	(34,000)	(500)
Proceeds from sale of trading investment	34,300	--
Purchase of furniture, fittings and office equipment	--	(3,810)
Net cash from/ (used in) investing activities	300	(4,310)
Net( decrease) / increase in cash and cash equivalents	(10,163)	(28,298)
Cash and cash equivalents at the beginning of the year	35,405	63,703
Cash and cash equivalents at the end of the year	25,242	35,405

The accompanying notes 1 to 25 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
For the year ended December 31, 2010G

	Share capital	Accumulated losses	Cumulative change in fair value of investment	Total
Balance as at December 31, 2008G	100,000	(27,388)	(2,377)	70,235
Net comprehensive loss for the year	--	(24,211)	2,377	(21,834)
Zakat for the year	--	(849)	--	(849)
Zakat reimbursable from shareholders	--	2,345	--	2,345
Balance as at December 31, 2009G	100,000	(50,103)	--	49,897
Net comprehensive loss for the year	--	(19,634)	--	(19,634)
Zakat for the year (Note 17)	--	(707)	--	(707)
Balance as at December 31, 2010G	100,000	(70,444)	--	29,556

The accompanying notes 1 to 25 form an integral part of these financial statements.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010G

### 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Allied Cooperative Insurance Group (ACIG) (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171999 dated 9 Shabaa 1428H, corresponding to 22 August 2007. The Registered Office address of the Company is Al Ruwais, P.O. Box 7076, Jeddah 21462, Kingdom of Saudi Arabia.

The object of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock market on 27 August 2007. The company has commenced its commercial operations on 1 July 2009G.

### 2. BASIS OF PREPARATION

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

The financial statements are prepared under the historical cost convention. The financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand.

As required by Saudi Arabian insurance regulations, the Company maintains separate books of account 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. Assets, liabilities, revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses and assets from joint operations is determined by the management and Board of Directors.

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

Transfer to Shareholders' operations	90%
--------------------------------------	-----

Transfer to Policyholders' payable	10%
------------------------------------	-----

The Company follows a fiscal year ending 31 December.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

### 3. GOING CONCERN

The company incurred a loss of SR 19.6 million during the year ended 31 December 2010G (2009G – SR 23.7 million) and accumulated losses amounted to SR 70.4 million at that date (2009G – SR 50.1 million). The Board of Directors has considered the financial position and, at its meeting on 27th October 2009G, resolved to continue in business and that the company should seek to increase its share capital from SR 100 million to SR 250 million. On 19 October 2010G the Saudi Arabian Monetary Agency approved an increase in share capital to SR 200 million. The Directors expect that the majority of founding shareholders will support the rights issue and to date 27 percent of the shareholders have confirmed in writing. The company has obtained the conditional approval of SAMA and commenced the necessary process to obtain the approvals required from the Capital Markets Authority. An extraordinary meeting of shareholders will be convened with the objective of approving the proposed rights issue.

Whilst approving these financial statements on 23 February 2011G, the Board reconsidered the financial position and the matters disclosed in the preceding paragraph and continue to believe that the going concern basis of preparation of financial statements is appropriate.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ASSUMPTIONS

The significant accounting policies and assumptions adopted are as follows:

#### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances including Murabaha deposits with an original maturity of three months or less from the date of original acquisition.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010G

### Receivable from policyholders

Receivable from policyholders are stated at original invoice amount less any allowance made for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### Reinsurance

In the ordinary course of business, the Company cedes insurance contribution and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the Insurance Operation's statement of financial position representing Contribution due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

### Deferred policy acquisition cost

Commission and other costs of acquiring insurance contracts that are primarily related to securing new contracts are capitalized and are subsequently amortized over the life of the contract on a basis consistent with the terms of the related policy coverage.

### Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduced significantly during this period.

Contributions, in respect of insurance contracts, are recognized as revenues over the contribution paying period of the related policies.

### Claims

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date is 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 (IBNR) at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the Statement of Insurance' Operations for that year.

### Investments

The Company's financial assets include available-for-sale investments and trading investments. The classification depends on the purpose for which the investments were acquired or originated.

#### **Investments- available for sale**

Investments which are classified as "available for sale" are initially recorded at cost and are subsequently measured at fair value. Available-for-sale investments are those intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates, exchange rates or equity prices. For an available for sale investment where the fair value has not been hedged, any gain or loss arising from a change in its fair value is recognized directly in shareholders' equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in the shareholders' equity should be transferred to the statement of shareholders' operations for the year. Available for sale investments whose fair value cannot be reliably measured are carried at cost less impairment in value.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010G

### **Trading Investments**

Trading investments represent investments in short term discretionary portfolio, which are readily marketable, and are initially recognised at cost and subsequently remeasured at fair value. Fair value is determined by reference to Net Asset Value (NAV) value quoted by the fund manager done on a daily basis at the close of market. The resultant realised and unrealised gains and losses are recognised in the statement of shareholders' operations. Where partial holdings are sold, the cost of investments is calculated on a weighted average basis.

### **Furniture, fittings and equipment**

Furniture, fittings and equipments, are initially recorded in the statement of financial position at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of assets are as follows:

	Years
Leasehold improvements, furniture, fittings and office equipments	7
Computers and software	4
Motor vehicles	4

Residual values, useful lives and the method of the depreciation are reviewed and adjusted if appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the period is recognised in the statement of insurance operations and accumulated surplus on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of insurance operations and accumulated surplus.

Expenditure for repair and maintenance is charged to the statement of insurance operations and accumulated surplus. Improvements that increase the value or materially extend the life of the related assets are capitalised.

### **Accrual and other payables**

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

### **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. Provisions are not recognised for future operating losses.

### **Employees' termination benefits**

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. Charge for the period is transferred to the statement of insurance operations and accumulated surplus on an actual basis.

### **Revenue recognition**

Gross insurance contribution and insurance commission are recognised when the insurance policy is issued or renewed. The portion of the contributions and commissions that will be earned in the future is reported as unearned contributions and commissions, respectively, as is deferred on a basis consistent with the terms of the related policy coverage. The unearned portion for marine cargo shall be the contribution written during the last three months of the current reporting date.

### **Reinsurance premiums**

Reinsurance premiums ceded are recognized as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010G

### Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance contracts liabilities. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations by establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

### Zakat and income tax

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year.

Zakat and income taxes are accrued and charged to the accumulated losses under statement of shareholders' equity.

### Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

### Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currencies of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currencies of the Company at the foreign exchange rate ruling at the reporting date. Exchange differences arising on translation are recognized in the consolidated statement of income currently.

### Impairment of financial assets

Financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized in the statement of insurance operations and accumulated surplus of the statement of shareholders operations for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

### Segment reporting

Segment information is presented in respect of the company's business segments which are Medical, Motor, Fire, Engineering, General Accident, Marine and Shareholders' fund based on the company's management and internal reporting structure. Segment results include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

### 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 are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

### Fair Values of financial instruments

The fair value of financial instruments that are actively traded in organized 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 balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010G

For financial instruments where there is not an active market, the 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 a similar instrument.

### 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 expenses will not be offset in the statement of insurance operations and accumulated surplus or in the statement of shareholders' operations unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

### 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.

### Significant accounting estimates

#### **Estimation uncertainty**

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

#### **Provision for outstanding claims**

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on previous experience. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by an independent actuary.

#### **Allowance for doubtful receivables**

Specific allowances are made for those customers whose policies have lapsed or have been suspended by the Company. In addition to specific provisions, the Company also makes an additional provision based on the ageing profile of the overdue premium receivables. Such estimates involve various degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

### Prospective changes in accounting policies

#### **IAS 24 Related Party Disclosures (Amendment)**

The amended standard is effective for annual periods beginning on or after 1 January 2011G; early adoption is allowed. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government-related entities. The Company does not expect any impact on its financial position or performance.

#### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 "classification and measurement of financial assets" has been published in its final form and is mandatory for compliance for the accounting year beginning 1 January 2013G; early adoption is allowed. It replaces part of IAS 39 Financial Instruments: Recognition and Measurement. It substitutes the current IAS 39 classification of financial assets (Trading, FVIS, Available for sale, Held to maturity and Held at amortized cost) into two main classifications (Held at amortized cost and held at fair value either through statement of income or through statement of comprehensive income).

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010G

## 5. CASH AND CASH EQUIVALENTS

	2010G	2009G
<i>Insurance Operations</i>		
Cash at bank – current account	23,662	1,989
<i>Shareholders' Operations</i>		
Cash in hand	--	46
Cash at bank in current accounts	25,242	35,359
	25,242	35,405

## 6. RECEIVABLES FROM POLICYHOLDERS

	2010G	2009G
<i>Insurance Operations</i>		
Receivable from policyholders – Other customers	15,950	2,490
Receivable from policy holders - Related parties (Note 19)	28	1,228
Provision for doubtful debts	(60)	(17)
	15,918	3,701

Trade debts amounting to SR 319 thousand (2009G: SR 17 thousand) are overdue, in terms of the Company's allowed credit periods. It is not the practice of the Company to obtain collateral over receivable from policyholders and the balance therefore is unsecured.

## 7. PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	2010G	2009G
<i>Insurance Operations</i>		
Prepayments	284	--
Advances to employees and suppliers	595	--
Other receivables	32	--
	911	--
	2010G	2009G
<i>Shareholders' Operations</i>		
Zakat reimbursable from shareholders	2,345	2,345
Prepayments	--	365
Advances to employees and suppliers	--	1,327
	2,345	4,037



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010G

## 8. INVESTMENTS

### Insurance Operations

Investments represent investments in short term Murabaha fund (trading investments). The movement in the investments is as follows:

	2010G	2009G
Trading investments		
Acquired during the year	10,000	--
Unrealised gain during the year	20	--
Balance at end of the year	10,020	--

### Shareholders' Operations

Investments represent investment in Najm for Insurance Services Company (available for sale) and investments in short term Murabaha fund (trading investments). The movement in the investments is as follows:

	2010G	2009G
Available for sale investments		
Balance at beginning of the year	2,877	--
Acquired during the year	--	500
Change in fair value of investment during the year	--	2,377
Balance at end of the year	2,877	2,877

	2010G	2009G
Trading investments		
Acquired during the period	34,000	--
Redeemed during the period	(34,300)	--
Realised gain on redemption	315	--
Unrealised gain during the period	1	--
Balance at end of the period	16	--

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010G

## 9. FURNITURE, FITTINGS AND OFFICE EQUIPMENT

	Leasehold improve- ments, furniture, fittings and office equipments	Computers and software	Motor vehicles	Total
--	--	---------------------------	-------------------	-------

Cost:

At the beginning of the year	3,760	1,775	90	5,625
Additions	798	796	--	1,594
December 31, 2010G	4,558	2,571	90	7,219

Depreciation:

At the beginning of the year	450	161	23	634
Charge during the year	843	178	23	1,044
December 31, 2010G	1,293	339	46	1,678

Net book value:

December 31, 2010G	3,265	2,232	44	5,541
December 31, 2009G	3,310	1,614	67	4,991

## 10. STATUTORY DEPOSIT

	2010G	2009G
--	-------	-------

Shareholders' operations

Statutory deposit	10,000	10,000
-------------------	--------	--------

As required by law on supervision of cooperative insurance companies, the Company deposited 10% of its paid up capital, amounting to SR 10 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). This deposit cannot be withdrawn without SAMA's consent.

## 11. ACCRUED EXPENSES AND OTHER LIABILITIES

	2010G	2009G
--	-------	-------

Insurance operations

Accrued expenses	2,038	--
Other payables	1,003	--
	3,041	--

Shareholders' operations

Accrued expenses	105	1,915
Other payables	271	508
	376	2,423

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010G

## 12. UNEARNED PREMIUM

	2010G	2009G
<i>Insurance operations</i>		
Unearned Premium	65,756	4,428
Reinsurance share of unearned premium	(13,853)	(2,542)
Net unearned premium	51,903	1,886

## 13. OUTSTANDING CLAIMS - NET

	2010G	2009G
<i>Insurance operations</i>		
Gross outstanding claims	10,745	25,174
Add: Incurred but not reported (IBNR) reserve	3,377	43
Outstanding claims	14,122	25,217
Reinsurance share of outstanding claims	(7,627)	(24,910)
Outstanding claims – Net	6,495	307

## 14. SHARE CAPITAL

### Shareholders' operations

The 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 six million shares with a nominal value of SR 10 each, which represents 60% of the shares of the Company and the remaining four million shares with a nominal value of SR 10 each have been subscribed by the public.

## 15. STATUTORY RESERVE

### Shareholders' operations

As required by law on supervision of cooperative insurance companies, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution. As the Company has incurred a loss during the year ended December 31, 2010G, no transfer to statutory reserve has been made.

## 16. SELLING AND MARKETING EXPENSES

	2010G	2009G
<i>Insurance operations</i>		
Salaries and other benefits	5,225	3,541
Advertising	1,091	338
Others	325	596
	6,641	4,475

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010G

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

	2010G	2009G
<i>Insurance operations</i>		
Salaries and other benefits	11,766	5,128
Utility charges	612	358
Traveling charges	302	188
Office rent	2,019	160
Running and maintenance charges	185	122
Legal and professional fees	1,100	623
Depreciation	1,044	326
Others	1,252	182
	18,280	7,087

	2010G	2009G
<i>Shareholders' operations</i>		
Salaries and other benefits	--	8,780
Utility charges	--	256
Traveling charges	--	339
Office rent	--	875
Running and maintenance charges	--	113
Legal and professional fees	--	1,056
Advertising expenses	--	187
Depreciation	--	164
Board and audit committee expenses – attendance fee (Note 19)	277	149
Others	225	1,012
	502	12,931

## 18. ZAKAT AND INCOME TAX

### Zakat

	2010G	2009
Charge for the year	707	1,061

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2010G

Zakat charge for the year is based on the Zakat base which has the following significant components:

	2010G	2009G
Equity	85,105	74,826
Opening provisions and other adjustments	(49,755)	(32,388)
Zakat base	35,350	42,438
Attributable to Saudi shareholders	28,280	33,950

### ACCRUED ZAKAT

	2010G	2009G
Balance at the beginning of the year	1,061	1,496
Charge for the year	707	849
Additional Zakat paid for IDB shareholding	--	478
Payment during the year	(1,104)	(1,762)
Balance at the end of the year	664	1,061

### Income Tax

Foreign shareholder, being IDB is exempt from income tax.

### Status of Assessments

Zakat and tax returns have been submitted to Department of Zakat and Income Tax ("DZIT") for the year ended 31 December 2009G and temporary Zakat certificate has been received from DZIT valid upto 30 April 2011G. Final certificate has been received from DZIT for the year ended 31 December 2008G.

## 19. TRANSACTIONS WITH RELATED PARTIES

In addition to the transaction described in note 16, following are the details of major related party transactions during the year and the related balance at the end of the year:

Related party	Nature of transaction	Amount of transactions during the year		Closing balance Receivable / (Payable)	
		2010G	2009G	2010G	2009G
Shareholder	General and administrative expenses paid and contribution collection on behalf of the Company and recharged/ deposited to the Company	1,002	2,522	(2,022)	(3,024)
Shareholders' Operations	Expenses incurred on behalf of policy-holders' account	24,921	11,562	9,884	100
Affiliates	Insurance premium	843	1,253	28	1,228

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2010G

### Compensation of key management personnel

The aggregate compensation of key management personnel is disclosed as follows:

Nature of transaction	Amount of transaction	Balance at 31 December 2010G
Board and audit committee attendance fee (Note 17)	277	--
Short term employee benefits	3,929	36
Employees' termination benefits	233	608

## 20. CONTINGENCY

The Company has provided a guarantee to the Council of Cooperative Health Insurance (CCHI) to settle the outstanding dues to service providers for medical insurance policies of an affiliate (estimated at SR 12.7 million), in order to obtain approval from CCHI to resume medical business in Saudi Arabia.

A counter guarantee has been received from the affiliate by the Company.

## 21. RISK MANAGEMENT

### Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated claims.

Significant portion of reinsurance business ceded is placed on facultative and quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the Statement of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

### Re-insurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. 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. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurers of minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with standards and poors) and AA- (with AM Best) and of reputation have been adopted by the Company.

### Regulatory framework risk

The operations of the Company are subject to regulatory requirements within the jurisdictions 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 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.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010G

### Capital management risk

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 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 shares.

The table below summarizes the minimum regulatory capital of the Company:

	2010G	2009G
Minimum regulatory capital (Premium solvency margin method)	100,000	100,000

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

### Maturity profile

For insurance contract liabilities and reinsurance assets maturity profile are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premium and reinsurance share of unearned premiums have been excluded as they are not contractual obligations.

Except for statutory deposit and investment which have no fixed maturity, the maturities of all the financial assets and liabilities does not fall beyond one year from the reporting date.

### Financial risk

The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, statutory deposit, cash and cash equivalents, trading investments, outstanding claims and certain other assets and liabilities.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. At 31 December 2010G, the Company is not exposed to any market price risk.

#### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its deposits.

The Company places deposits which are realisable within three months, with the exception of restricted deposits which are required to be maintained in accordance with regulations in Saudi Arabia. Management limits interest rate risk by monitoring changes in interest rates in the currencies in which its deposits are denominated.

Details of maturities of the major classes of interest bearing deposits as at 31 December are as follows:

Shareholders' operations	2010G			
	Less than 3 months	3 months to 1 year	No fixed maturity	Total
Short term deposits	24,798	--	--	24,798
Statutory deposit	--	--	10,000	10,000
	24,798	--	10,000	34,798

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2010G

The maturities of deposits have been determined on the basis of the remaining period, at the statement of financial position date, to the contractual maturity date.

The effective interest rates for the interest bearing financial instruments, at 31 December, were as follows:

	2010G	2009G
--	-------	-------

**Shareholders' operations**

Saudi Riyal denominated deposits	0.25 %	--
----------------------------------	--------	----

The following table demonstrates the sensitivity of statement of shareholders' operations to reasonably possible changes in interest rates, with all other variables held constant.

	2010G	2009G
	SR '000	SR '000
	Effect on profit	Effect on profit

**Shareholders' operations**

Saudi Riyals:		
Increase in interest rates by 100 basis points	2,480	--
Decrease in interest rates by 100 basis points	(2,480)	--

**Foreign 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 losses due to exchange rate fluctuations as the Company primarily deals in Saudi Riyal.

**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 credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is concentrated in Saudi Arabia.

The Company seeks to limit its credit risk with respect to customers by monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premium receivables. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with reinsurers having minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with standards and poors) and AA- (with AM Best) recognised, creditworthy third parties (rated BBB or above).



**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2010G

The table below shows the maximum exposure to credit risk for the components of the statement of financial position as at 31 December 2010G:

	Total
<b>Insurance' Operations</b>	
Cash and cash equivalents	23,662
Receivable from policyholders	15,918
Due from shareholders' operations	9,884
Investments	10,020
Reinsurance companies' share of outstanding claims	7,627
	67,111
<b>Shareholders' Operations</b>	
Cash and cash equivalents	25,242
Investments	2,893
	28,135

### 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 funds are available to meet any commitments as they arise.

The Company's financial liabilities consist of outstanding claims, reinsurer payable, amount due to related party and other payables. All financial liabilities except for end of service benefits which is non-current in nature, are non-interest bearing, are expected to be settled within 12 month from the reporting date.

All assets of the Company are current, except for furniture, fittings and equipment and statutory deposit, which are non-current in nature.

## 22. 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, investments, receivables from policyholders, and its financial liabilities consist of outstanding claims, reinsurers' balance payable, accruals, other payables and due to a related party. The fair values of financial assets and liabilities are not materially different from their carrying values.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010G

### 23. SEGMENT REPORTING

Segment information is presented in respect of the company's business segments which are Medical, Motor, Fire, Engineering, General Accident, Marine and Shareholders' fund based on the company's management and internal reporting structure. Segment results include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

The segment results as at 31 December 2010G are as follows:

Details	Shareholders' Fund	Insurance operations							Total
		Fire	Engineering	Marine	General accident	Motor	Medical	Unallocated	
Gross insurance premium	--	17,587	1,102	2,682	10,133	65,353	1,528	--	98,385
Reinsurance share of premium	--	(17,207)	(1,095)	(1,590)	(5,683)	(10)	(764)	--	(26,349)
Retained insurance premium	--	380	7	1,092	4,450	65,343	764	--	72,036
Change in unearned premium	--	(123)	(7)	172	(2,501)	(46,611)	(948)	--	(50,018)
Net retained insurance pre-mium	--	257	--	1,264	1,949	18,732	(184)	--	22,018
Reinsurance commission earned	--	796	220	599	368	--	63	--	2,046
Total insurance revenue	--	1,053	220	1,863	2,317	18,732	(121)	--	24,064

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
 (SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
 December 31, 2010G

	Shareholders' Fund	Fire	Engineering	Marine	General accident	Motor	Medical	Unallocated	Total
<b>COST AND EXPENSES</b>									
Gross claims	--	22,490	--	404	29	5,294	--	--	28,217
Less: Reinsurance share	--	(22,311)	--	(282)	(25)	--	--	--	(22,618)
Net claims	--	179	--	122	4	5,294	--	--	5,599
Change in outstanding claims & IBNR	--	(125)	33	327	702	5,105	148	--	6,190
Net claims incurred	--	54	33	449	706	10,399	148	--	11,789
Policy acquisition cost	--	127	50	11	163	5,142	38	--	5,531
Excess of loss expenses	--	132	122	98	48	894	--	--	1,294
Selling and marketing expenses	--	--	--	--	--	--	--	6,641	6,641
General and administrative expenses	--	--	--	--	--	--	--	18,280	18,280
<b>Total cost and expenses</b>	--	313	205	558	917	16,435	186	24,921	43,535
<b>Results of operating activities</b>	--	740	15	1,305	1,400	2,297	(307)	(24,921)	(19,471)
Investment income	317	--	--	--	--	--	--	20	337
Other income	--	--	--	--	--	--	--	2	2
General and administrative expenses	(502)	--	--	--	--	--	--	--	(502)
Net deficit transferred from insurance operations	(19,471)	--	--	--	--	--	--	--	(19,471)
<b>Loss before Zakat and income tax</b>	--	--	--	--	--	--	--	--	(19,634)
Zakat and income tax	--	--	--	--	--	--	--	--	--
<b>Loss after Zakat and income tax</b>	--	--	--	--	--	--	--	--	(19,634)

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2010G

	Shareholders' Fund	Insurance operations							Total
		Fire	Engineering	Marine	General ac- cident	Motor	Medical	Unallocated	
Investments	2,893	--	--	--	--	--	--	10,020	12,913
Furniture, fittings and office equipments	--	--	--	--	--	--	--	5,541	5,541
Receivable from policyholders, net	--	11,554	170	414	1,566	1,011	1,203	--	15,918
Reinsurance companies share of unearned premiums	--	9,499	726	391	2,999	--	238	--	13,853
Reinsurance companies share of outstanding claims	--	835	6,321	328	115	--	28	--	7,627
Deferred policy acquisition cost	--	92	37	3	195	13,692	115	--	14,134
Other assets	37,587	--	--	--	--	--	--	34,457	72,044
<b>Total assets</b>	<b>40,480</b>	<b>21,980</b>	<b>7,254</b>	<b>1,136</b>	<b>4,875</b>	<b>14,703</b>	<b>1,584</b>	<b>50,018</b>	<b>142,030</b>
Unearned premiums	--	9,683	746	528	7,003	46,611	1,185	--	65,756
Gross outstanding claims including IBNR	--	952	6,354	698	839	5,105	174	--	14,122
Unearned commissions income	--	1,226	175	94	707	1	190	--	2,393
Other liabilities	40,480	--	--	--	--	--	--	19,279	59,759
<b>Total liabilities</b>	<b>40,480</b>	<b>11,861</b>	<b>7,275</b>	<b>1,320</b>	<b>8,549</b>	<b>51,717</b>	<b>1,549</b>	<b>19,279</b>	<b>142,030</b>

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010G

**24. COMPARATIVE FIGURES**

Certain figures of prior period have been reclassified to conform with the current year's presentation.

**25. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Board of Directors on dated 20 Rabi Awwal 1432 H, corresponding to 23 February 2011G.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
FINANCIAL STATEMENTS  
AND JOINT AUDITORS' REPORT  
DECEMBER 31, 2011G



**Al Fozan & Al Sadhan**

License No. 46/11/323  
Issued 11/3/1992  
P.O. Box 55078  
Jeddah 21534  
Saudi Arabia



**Aldar Audit Bureau**

Abdulla AlBasri & Co.  
Member firm of Grant Thornton International  
License No. 323/11/36/1  
P.O. Box 20142 – Jeddah 21455  
Kingdom of Saudi Arabia

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)**

**SCOPE OF AUDIT:**

We have audited the accompanying statement of financial position of Allied Cooperative Insurance Group (ACIG) - A Saudi Joint Stock Company ('the Company') as at 31 December 2010, and the related statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive loss, insurance operations cash flows, shareholders' operations cash flows and changes in shareholders' equity for the year ended 31 December 2010 and the notes 1 to 25 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**UNQUALIFIED OPINION:**

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

- present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and the results of its operations and its cash flows in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulations for Companies and the Company's article of association in so far as they effect the preparation and presentation of the financial statements.

**EMPHASIS OF MATTER:**

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.



Al Fozan & Al Sadhan



Aldar Audit Bureau

We further draw attention to Note 3 to the accompanying financial statements, which states that the Board of Directors has considered the financial position of the company and is taking steps to increase its share capital from SR 100 million to SR 200 million. The ability of the company to continue operations as a going concern is dependent upon future profitable operations and the success of the proposed increase in share capital. The accompanying financial statements have been prepared on the assumption that the Company will continue in business as a going concern, and do not include any adjustments that might result from the outcome of this uncertainty.

For KPMG Al Fozan  
& Al Sadhan

Tareq Abdulrahman Al Sadhan  
License No. 352



20 Rabi Awwal 1432 H

23 February 2011

For Aldar Audit Bureau  
Abdullah Albasri & Co

Waheed Salah Gizzaz  
License No. 247





ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF FINANCIAL POSITION  
At December 31, 2011G

	Notes	2011G	2010G
		SR '000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	58,384	23,662
Premiums and reinsurance receivables - gross		9,508	15,978
Allowances for doubtful receivable		(672)	(60)
Premiums and reinsurance receivable - net	6	8,836	15,918
Reinsurance share of outstanding claims	12	1,861	7,627
Reinsurance share of unearned premium	13	11,422	13,853
Deferred policy acquisition cost	7	17,835	14,134
Due from shareholders' operations	21	9,467	9,884
Prepayments, advances and other receivables	8	2,777	911
Investments	9	--	10,020
Furniture, fittings and equipment	10	5,222	5,541
Total insurance operations assets		115,804	101,550
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	13,492	25,242
Prepayments, advances and other receivables	8	3,120	2,345
Investments	9	2,877	2,893
Statutory deposit	11	10,000	10,000
Total shareholders' assets		29,489	40,480
TOTAL ASSETS		145,293	142,030

The accompanying notes 1 to 28 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**STATEMENT OF FINANCIAL POSITION**

At December 31, 2011G

	Notes	2011G	2010G
		SR '000	SR '000
INSURANCE OPERATIONS' LIABILITIES AND DEFICIT			
Outstanding claims	12	20,556	14,122
Reinsurance balance payable		7,347	12,796
Unearned premium	13	81,201	65,756
Unearned commission		1,864	2,393
Accrued expenses and other liabilities	14	3,409	3,041
Due to a related party	21	--	2,022
Employees' termination benefits		1,427	1,420
Total insurance operations' liabilities		115,804	101,550
Deficit from Insurance Operations		--	--
Total insurance operations' liabilities and deficit		115,804	101,550
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Due to insurance operations	21	9,467	9,884
Accrued expenses and other liabilities	14	403	376
Accrued zakat	20	548	664
Total shareholders' liabilities		10,418	10,924
Shareholders' equity			
Share capital	15	100,000	100,000
Accumulated loss		(80,929)	(70,444)
Total shareholders' equity		19,071	29,556
Total shareholders' liabilities and equity		29,489	40,480
TOTAL LIABILITIES, INSURANCE OPERATIONS' DEFICIT AND SHAREHOLDERS' EQUITY		145,293	142,030

The accompanying notes 1 to 28 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
**(SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS**  
For the year ended December 31, 2011G

	Notes	2011G	2010G
		SR '000	SR '000
REVENUE			
Gross written premium		168,391	98,385
Premium ceded		(27,826)	(26,349)
Retained written premium		140,565	72,036
Net movement in unearned premium		(17,875)	(50,018)
Excess of loss premium		(2,372)	(1,294)
Net earned premium		120,318	20,724
Reinsurance commission earned		4,326	2,046
Total insurance revenue		124,644	22,770
CLAIMS			
Gross claims		71,815	28,217
Claims recovered from reinsurance		(8,866)	(22,618)
Net claims		62,949	5,599
Net movement in outstanding claims		12,199	6,190
Net claims incurred		75,148	11,789
Policy acquisition cost	7	35,180	5,531
Net claims		110,328	17,320
Net underwriting result		14,316	5,450
Investment and other income		54	22
EXPENSES			
Selling and marketing	18	(7,453)	(6,641)
General and administrative	19	(16,384)	(18,280)
Deficit from insurance operations		(9,467)	(19,449)
Deficit transferred to shareholders' operations		9,467	19,449

The accompanying notes 1 to 28 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE`GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF SHAREHOLDERS' OPERATIONS  
For the year ended December 31, 2011G

	Notes	2011G	2010G
		SR '000	SR '000
INCOME			
Investment and other income		37	317
EXPENSES			
Deficit from insurance operations		(9,467)	(19,449)
General and administrative expenses	19	(520)	(502)
Net loss for the year before Zakat		(9,950)	(19,634)
Zakat on Islamic Development Bank (IDB) shareholding		--	--
Net loss for the year		(9,950)	(19,634)
Weighted average number of ordinary shares outstanding (in thousands)		10,000	10,000
Loss per share (Saudi Arabian Riyals)	24	(0.99)	(1.96)

The accompanying notes 1 to 28 form an integral part of these financial statements.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2011G

		2011G	2010G
		SR '000	SR '000
Net loss for the year		(9,950)	(19,634)
Other comprehensive income / (loss)		--	--
Total comprehensive loss for the year		(9,950)	(19,634)

The accompanying notes 1 to 28 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS**

For the year ended December 31, 2011G

	Notes	2011G	2010G
		SR '000	SR '000
OPERATING ACTIVITIES			
Net deficit for the year from Insurance Operations		--	--
Adjustments for:			
Depreciation	10	1,147	1,044
Investment income	9	(47)	(20)
Loss on disposal of furniture, fittings and equipment		5	--
Employees' termination benefits, net		7	614
Changes in assets and liabilities:			
Premiums and reinsurance receivable – net		7,082	(12,217)
Reinsurance share of outstanding claims		5,766	17,283
Reinsurance share of unearned premium		2,431	(11,311)
Deferred policy acquisition cost		(3,701)	(14,025)
Due from shareholders' operations		417	(10,628)
Prepayments, advances and other receivables		(1,866)	782
Outstanding claims		6,434	(11,095)
Reinsurance balance payable		(5,449)	10,267
Unearned premium		15,445	61,328
Unearned commission		(529)	1,765
Accrued expenses and other liabilities		369	482
Due to a related party		(2,022)	(1,002)
Net cash from operating activities		25,489	33,267
INVESTING ACTIVITIES			
Purchase of investment	9	(13,000)	(10,000)
Proceeds from redemption of investment	9	23,067	--
Purchase of furniture, fittings and equipment	10	(835)	(1,594)
Proceeds from disposal of furniture, fittings and equipment		1	--
Net cash from / (used in) investing activities		9,233	(11,594)
Increase in cash and cash equivalents		34,722	21,673
Cash and cash equivalents at the beginning of the year		23,662	1,989
Cash and cash equivalents at the end of the year	5	58,384	23,662

The accompanying notes 1 to 28 form an integral part of these financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS  
For the year ended December 31, 2011G

	Notes	2011G	2010G
		SR '000	SR '000
OPERATING ACTIVITIES			
Net loss for the year before Zakat		(9,950)	(19,634)
Adjustment for:			
Investment income	9	(30)	(316)
		(9,980)	(19,950)
Changes in assets and liabilities:			
Prepayments, advances and other receivables		(775)	--
Due to insurance operations		417	10,628
Accrued expenses and other liabilities		27	(37)
		(11,145)	(9,359)
Zakat paid	20	(651)	(1,104)
Net cash used in operating activities		(11,796)	(10,463)
INVESTING ACTIVITIES			
Purchase of trading investments	9	(24,800)	(34,000)
Proceeds from redemption of trading investments	9	24,846	34,300
Net cash from investing activities		46	300
Decrease in cash and cash equivalents		(11,750)	(10,163)
Cash and cash equivalents at the beginning of the year		25,242	35,405
Cash and cash equivalents at the end of the year	5	13,492	25,242

The accompanying notes 1 to 28 form an integral part of these financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
**(SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the year ended December 31, 2011G

	Share capital	Accumulated loss	Total
	SR '000	SR '000	SR '000
Balance as at December 31, 2010G	100,000	(70,444)	29,556
Net loss for the year	--	(9,950)	(9,950)
Other comprehensive income / (loss)	--	--	--
Zakat for the year (Note 20)	--	(535)	(535)
Balance as at December 31, 2011G	100,000	(80,929)	19,071

	Share capital	Accumulated loss	Total
	SR '000	SR '000	SR '000
Balance as at December 31, 2009G	100,000	(50,103)	49,897
Net loss for the year	--	(19,634)	(19,634)
Other comprehensive income / (loss)	--	--	--
Zakat for the year (Note 20)	--	(707)	(707)
Balance as at December 31, 2010G	100,000	(70,444)	29,556

The accompanying notes 1 to 28 form an integral part of these financial statements.



# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011G

### 1. REPORTING ENTITY AND OPERATIONS

Allied Cooperative Insurance Group (ACIG) ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030171999 dated Shabaan 9, 1428H, corresponding to August 22, 2007. The Registered Office of the Company is situated at:

P.O. Box 7076,

Al Ruwais,

Jeddah 21462,

Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association and applicable regulations in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on July 1, 2009G. The Company was listed on the Saudi Stock Exchange (Tadawul) on August 27, 2007G.

### 2. BASIS OF PREPARATION

#### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

#### Basis of preparation

These financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments.

As required by the Saudi Arabian Insurance Regulations, the Company maintains separate books of 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 books of accounts. The basis of allocation of expenses from joint operations is determined by the management and the Board of Directors.

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

#### Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR), which is the Company's functional currency. All financial information presented in SR has been rounded off to the nearest thousand, except where indicated otherwise.

#### Use of estimates and judgements

##### Estimation uncertainty

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

##### Provision for outstanding claims

Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company estimates its claims based on its previous experience of its insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations and accumulated surplus for that year. The provision for outstanding claims, as at 31 December, is also verified and certified by the Company's appointed external Actuary.

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### Allowance for doubtful receivables

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the receivables are impaired.

### Deferred policy acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortised in the 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 realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations and accumulated surplus.

### Useful lives of furniture, fittings and equipment

The Company's management determines the estimated useful lives of its furniture, fittings and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

### New IFRS, IFRIC and amendments thereof, adopted by the company

The Company has adopted the following amendments and revisions to existing standards, which has had no financial impact on the financial statements of the Company. The International Accounting Standards Board (IASB) has issued the following new and amended IFRS and IFRIC that are effective for the periods starting on or after the dates mentioned below:

Standard/ Interpretation	Description
IAS 24	Related Party Transactions (Revised)
IAS 32	Amendments to IAS 32 Classification of Rights Issues
IFRIC 19	Extinguishing Financial Liabilities with Equity Instrument
IFRS 7	Amendment to IFRS 7 Financial Instruments: Disclosures (including disclosures for transfer of financial assets)
IAS 1	Presentation of Financial Statements

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### New IFRS, IFRIC and amendments thereof, issued but not yet effective

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

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015G
IFRS 10	Consolidated financial statements	1 January 2013G
IFRS 12	Disclosures of interests in other entities	1 January 2013G
IFRS 13	Fair value measurement	1 January 2013G
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012G
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets	1 January 2012G
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013G

### 3. GOING CONCERN

The company has incurred a loss of SR 9.95 million during the year ended December 31, 2011G (December 31, 2010G: SR 19.63 million) and accumulated loss amounted to SR 80.93 million at that date (December 31, 2010G: SR 70.44 million), which exceed 75% of the Company's capital thereby resulting in applicability of Article 148 of the Companies Regulations. However, the requirements of Article 148 of the Companies Regulations has been initiated in the Board of Directors meeting dated April 5, 2012G that has approved the convening of the extraordinary general meeting which is expected to convene shortly. The continuation of the operations of the Company is dependent on the future profitability of operations and pending increase in the share capital through a rights issue which was approved by SAMA in October 2010G.

Previously, the Board of Directors have considered the financial position of the Company and, at its meeting held on October 27, 2009G, resolved to continue in business and increase the share capital of the Company. On October 19, 2010G, the Saudi Arabian Monetary Agency (SAMA) approved increase in share capital of the Company from SR 100 million to SR 200 million with a condition of founding shareholders (representing 60% of the share capital) confirmation to participation in the rights issue. As at December 31, 2011G, 53 percent of the shareholders have confirmed in writing their intent to support the rights issue.

On obtaining the aforementioned conditional approval from SAMA, the company commenced the process of rights issue, as prescribed by Capital Market Authority. An extraordinary meeting of shareholders will be convened with the objective of approving the proposed rights issue upon obtaining approval from Capital Market Authority, as mentioned above.

The above mentioned conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. However, whilst approving these financial statements on 18 April 2012G, the Board of Directors reconsidered the financial position and the matters disclosed in the preceding paragraphs and continue to believe that the going concern basis of preparation of the financial statements is appropriate. These financial statements have been prepared on the assumption that the Company will continue in business as a going concern, and do not include any adjustments that might result from the outcome of uncertainties from above-mentioned conditions.

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### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2010G. The new standards, amendments to standards and interpretation, which are effective for annual periods beginning after 1 January 2011G have not had a significant effect on the financial statements of the Company.

The significant accounting policies used in preparing these financial statements are set out below:

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks including short term deposits that have original maturity periods not exceeding three months.

#### Premiums receivable

Premiums receivable are stated at gross written premiums receivable from insurance contracts, less an allowance for any uncollectible amounts. Bad debts are written off as incurred.

#### Investments

The Company's financial assets include available-for-sale investments and trading investments. The classification depends on the purpose for which the investments were acquired or originated.

#### Available for sale

Investments which are classified as "available for sale" are initially recorded at cost and are subsequently measured at fair value. Available for sale investments are those intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates, exchange rates or equity prices. For an available for sale investment where the fair value has not been hedged, any gain or loss arising from a change in its fair value is recognized directly in shareholders' equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in the shareholders' equity should be transferred to the statement of shareholders' operations for the year. Available for sale investments whose fair value cannot be reliably measured are carried at cost less impairment in value.

#### Trading Investment

Trading investment represents investment in short term murabaha fund which is readily marketable, and are initially recognised at cost and subsequently remeasured at fair value. Fair value is determined by reference to the net asset value (NAV) quoted by the fund manager. This is done on a daily basis at the market close. The resultant realised and unrealised gains and losses are recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations. Where partial holdings are sold, the cost of investments is calculated on a weighted average basis.

#### Policy acquisition cost

Commission paid to sales staff and incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

#### Furniture, fittings and equipment

Furniture, fittings and equipment are initially recorded in the statement of financial position at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a

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straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for calculation of depreciation are as follows:

	Years
Leasehold improvements, furniture,	
fittings and office equipment	7
Computer applications	4
Vehicles	4

Residual values, useful lives and the method of depreciation are reviewed and adjusted if appropriate at each financial year end. Impairment reviews take place when events or changes in circumstances indicate that the carrying value may not be recoverable. The depreciation charge for the period is recognised in the statement of insurance operations and accumulated surplus on an actual basis. Similarly, impairment losses, if any, are recognised in the statement of insurance operations and accumulated surplus.

Expenditure for repair and maintenance is charged to the statement of insurance operations and accumulated surplus. Improvements that increase the value or materially extend the life of the related assets are capitalised.

### Claims

Claims, comprising amounts payable to contract holders and third parties, net of volume rebates and other recoveries, are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

The Company scientifically estimates its claims based on previous experience. 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 the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of insurance operations' and accumulated surplus for that year.

### Reinsurance

In the ordinary course of business, the Company cedes insurance contribution and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the Insurance Operation's statement of financial position representing contribution due to or payments due from reinsurers and the

share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

### Revenue recognition

Gross written premium and reinsurance commission are recognised when the insurance policy is issued or renewed. The portion of the premium and commission that will be earned in the future is reported as unearned premium and unearned commission, respectively, and is deferred on a basis consistent with the terms of the related policy coverage. The unearned portion for marine policies shall be the premium written during the last three months of the current reporting date.

### Reinsurance premiums

Reinsurance premiums ceded are recognized as an expense when payable.

Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

### Expenses

Selling and marketing expenses are those which specifically relate to salesmen, sales promotion and advertisement as well as any allowance for doubtful debts and regulatory levies. All other expenses are classified as general and administrative.

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### Segmental reporting

A segment is a distinguishable component of the Company portfolio that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments.

### Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of insurance operations and accumulated surplus on a straight-line basis over the lease term.

### Foreign currencies

The accounting records of the Company are maintained in Saudi Arabian Riyals. Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the approximate rate of exchange 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 statement of financial position date. All differences are taken to either the statement of insurance operations and accumulated surplus or the statement of shareholders' operations.

### Fair values of financial instruments

Financial instruments include cash and cash equivalents, premiums and reinsurance receivable, reinsurance share of outstanding claims, reinsurance share of unearned premium, investments, outstanding claims, reinsurance balance payable and certain other assets and liabilities.

The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics. Except for the fair value of trading which are based on unit prices quoted by the Fund Manager, the fair values of all other financial instruments are estimated using methods such as net present values of future cash flows.

### 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 is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and accumulated surplus and an unexpired risk provision created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

### Zakat and income tax

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Income taxes are computed on the foreign shareholders' share of net income for the year.

Zakat and income taxes are accrued and charged to the accumulated loss under the statement of shareholders' equity.

### Accruals and other payables

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether billed by the supplier or not.

### Provisions

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

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#### Employees' termination benefits

The Company provides termination benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the statement of financial position date. The charge for the period is transferred to the statement of insurance operations and accumulated surplus on an actual basis.

#### 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 specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of insurance operations and accumulated surplus or the statement of shareholders' operations. Impairment is determined as follows:

- (a) for assets carried at fair value, impairment is the difference between cost and fair value.
- (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 the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

#### Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of insurance operations and accumulated surplus and statement of shareholders' operations unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.



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### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### 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 are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

### Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduced significantly during this period. Premiums in respect of insurance contracts, are recognized as revenues over the premium paying period of the related policies.

### Offsetting

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



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## 5. CASH AND CASH EQUIVALENTS

	2011G	2010G
	SR '000	SR '000
Insurance Operations		
Cash in hand	6	50
Cash at banks - current accounts	58,378	23,612
	58,384	23,662
Shareholders' Operations		
Cash at banks - current accounts	13,492	442
Short term deposit (less than 90 days)	--	24,800
	13,492	25,242

## 6. PREMIUMS AND REINSURANCE RECEIVABLE - NET

	2011G	2010G
	SR'000	SR'000
Insurance Operations		
Premiums receivable - Other customers	7,169	15,330
Premiums receivable - Related parties (Note 21)	40	28
Reinsurance receivable	2,299	620
	9,508	15,978
Allowance for doubtful receivable (see note below)	(672)	(60)
Premiums and reinsurance receivable - net	8,836	15,918

The movement in the allowance for doubtful premium and reinsurance receivable is as follows:

	2011G	2010G
	SR'000	SR'000
Balance at the beginning of year	60	18
Allowance during the year	612	42
Balance at the end of year	672	60

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The age analysis of unimpaired premiums and reinsurance receivable arising from insurance contracts was as follows:

	Neither past due nor im- paired	Up to three months	Above three and up to six months	Above six and less than twelve months	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
31 December 2011G	317	7,819	666	34	8,836
31 December 2010G	2,269	13,389	170	90	15,918

Unimpaired 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.

## 7. DEFERRED POLICY ACQUISITION COST

	2011G	2010G
	SR'000	SR'000
<b>Insurance Operations</b>		
Balance at the beginning of the year	14,134	109
Policy acquisition cost deferred	38,881	19,556
Amortisation for the year	(35,180)	(5,531)
Balance at the end of the year	17,835	14,134

## 8. PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

	2011G	2010G
	SR'000	SR'000
<b>Insurance Operations</b>		
Prepayments	578	284
Advances	473	595
Due from a related party (note 21)	1,002	--
Other receivables	724	32
	2,777	911
<b>Shareholders' Operations</b>		
Zakat reimbursable from shareholders	2,345	2,345
Other receivables	775	--
	3,120	2,345

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## 9. INVESTMENTS

### Insurance Operations

This represents investment in short-term Murabaha fund. The movement during the year is as follows:

	2011G	2010G
	SR'000	SR'000
<b>Trading investments</b>		
Balance at beginning of the year	10,020	--
Purchased during the year	13,000	10,000
Redeemed during the year	(23,067)	--
Realised gain on redemption	47	--
Unrealised gain during the year	--	20
Balance at end of the year	--	10,020

### Shareholders' Operations

This represents investment in Najm for Insurance Services Company (available for sale) and in short term Murabaha fund (trading investments).

The movement during the year is as follows:

	2011G	2010G
	SR'000	SR'000
<b>Available for sale</b>		
Balance at beginning and at the end of the year	2,877	2,877
<b>Trading investments</b>		
Balance at beginning of the year	16	--
Purchased during the year	24,800	34,000
Redeemed during the year	(24,846)	(34,300)
Realised gain on redemption	30	315
Unrealised gain during the year	--	1
Balance at end of the year	--	16

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### 10. FURNITURE, FITTINGS AND EQUIPMENT

	Leasehold improvements, furniture, fittings and office equipment	Computer applications	Vehicles	Total
	SR'000	SR'000	SR'000	SR'000
Insurance operations				
Cost				
At the beginning of year	4,409	2,720	90	7,219
Additions	121	714	--	835
Disposals	--	(13)	--	(13)
At the end of year	4,530	3,421	90	8,041
Depreciation				
At the beginning of year	1,293	339	46	1,678
Charge for the year	683	443	21	1,147
Released on disposal	--	(6)	--	(6)
At the end of year	1,976	776	67	2,820
Carrying value				
December 31, 2011G	2,554	2,645	23	5,222
December 31, 2010G	3,116	2,381	44	5,541

### 11. STATUTORY DEPOSIT

	2011	2010G
	SR'000	SR'000
Shareholders' operations		
Statutory deposit	10,000	10,000

As required by Saudi Arabian Insurance Regulations, the Company deposited an amount equivalent to 10% of its paid up share capital, amounting to SR 10 million in a Murabaha Fund designated by SAMA.

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### 12. OUTSTANDING CLAIMS - NET

	2011G	2010G
	SR'000	SR'000
Insurance operations		
Gross outstanding claims	8,961	10,745
Add: Incurred but not reported (IBNR) reserve	11,595	3,377
Outstanding claims	20,556	14,122
Reinsurance share of outstanding claims	(1,861)	(7,627)
Outstanding claims – net	18,695	6,495

### 13. UNEARNED PREMIUM - NET

	2011G	2010G
	SR'000	SR'000
Insurance operations		
Unearned premium	81,201	65,756
Reinsurance share of unearned premium	(11,422)	(13,853)
Unearned premium – net	69,779	51,903

### 14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011G	2010G
	SR'000	SR'000
Insurance operations		
Accrued expenses	1,572	2,038
Other liabilities	1,837	1,003
	3,409	3,041
Shareholders' operations		
Accrued expenses	115	105
Other liabilities	288	271
	403	376

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## 15. SHARE CAPITAL

The share capital of the Company is SR 100 million divided into 10 million shares of SR 10 each (2010G: 10 million shares of SR 10 each) and subscribed by the following:

	2011G		2010G	
	% holding	SR'000	% holding	SR'000
Founding shareholders	60	60,000	60	60,000
General public	40	40,000	40	40,000
	100	100,000	100	100,000

## 16. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, twenty percent of the shareholders' income shall be set aside as a statutory reserve until this reserve amounts to one hundred percent of the paid up share capital.

As the Company has been incurring losses since inception, no transfer to statutory reserve has been made.

## 17. REGULATORY REQUIREMENT

As required by Saudi Arabian Insurance Regulations (Article 66 of Implementation Regulations issued by SAMA), the Company is required to maintain minimum Solvency Margin equivalent to the highest of minimum capital requirement, premium solvency margin or claims solvency margin. As at December 31, 2011G, the Company's solvency level is less than the minimum solvency margin required by the Saudi Arabian Insurance Regulations. The Company is in the process of increasing its share capital by SR 100 million (note 3) in order to achieve the solvency margin requirement.

## 18. SELLING AND MARKETING EXPENSES

	2011G	2010G
	SR'000	SR'000
Insurance operations		
Employee costs	4,890	5,225
Advertising	1,032	1,091
Others	1,531	325
	7,453	6,641

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### 19. GENERAL AND ADMINISTRATIVE EXPENSES

	2011G	2010G
	SR'000	SR'000
Insurance operations		
Employee costs	10,843	11,766
Depreciation (note 10)	1,147	1,044
Legal and professional fees	1,745	1,100
Rent	1,025	2,019
Utilities	456	612
Maintenance	270	185
Traveling	138	302
Others	760	1,252
	16,384	18,280
Shareholders' operations		
Legal and professional fees	314	175
Board and audit committee expenses – attendance fee (Note 21)	197	277
Others	9	50
	520	502

### 20. ZAKAT AND INCOME TAX

#### Zakat

Zakat payable by the Company has been calculated in accordance with Zakat regulations in the Kingdom of Saudi Arabia.

	2011G	2010G
	SR'000	SR'000
Charge for the year	535	707

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011G

Zakat charge for the year is based on the Zakat base which has the following significant components:

	2011G	2010G
	SR'000	SR'000
Equity	97,705	85,105
Opening provisions and other adjustments	(70,955)	(49,755)
Zakat base	26,750	35,350
Attributable to Saudi shareholders	21,400	28,280

The differences between the financial and the Zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

The movement in the Zakat provision for the year is as follows:

	2011G	2010G
	SR'000	SR'000
Balance at the beginning of the year	664	1,061
Charge for the year	535	707
Payment during the year	(651)	(1,104)
Balance at the end of the year	548	664

### Income Tax

Foreign shareholder, being Islamic Development Bank (IDB) is exempt from income tax.

### Status of Assessments

As required by Saudi Arabian fiscal regulations, Zakat and income tax returns have been filed with the Department of Zakat and Income Tax ("DZIT") for the years ended upto December 31, 2010G. Final certificate has been received from DZIT for the year ended December 31, 2008G. However, DZIT has raised an additional assessment in respect of the returns filed for the years ended December 31, 2008G, 2009G and 2010G. The Company is in the process of filing an appeal against this additional assessment and is confident of a favourable outcome.

## 21. TRANSACTIONS WITH RELATED PARTIES

The following are the details of major related party transactions and the related balances at the end of the year:

Related party	Nature of transaction	Amount of transactions during the year		Closing balance Receivable / (Payable)	
		2011G	2010G	2011G	2010G
		SR'000	SR'000	SR'000	SR'000
Shareholders' Operations	Expenses incurred on behalf of policyholders' account	9,467	24,921	9,467	9,884
Affiliates	Insurance premium	995	843	40	28
Shareholder	Others	3,024	1,002	1,002	(2,022)



# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011G

### Compensation of key management personnel

The aggregate compensation of key management personnel is disclosed as follows:

Nature of transaction	Amount of trans- action during the year	Balance at 31 December 2011G	Amount of trans- action during the year	Balance at 31 December 2010G
	SR '000	SR '000	SR '000	SR '000
Board and audit committee attendance fee (Note 19)	197	--	277	--
Employees' remuneration	3,893	49	3,929	36
Employees' termination benefits	197	542	233	608

## 22. CONTINGENCY

The Company has provided a guarantee to the Council of Cooperative Health Insurance (CCHI) to settle the outstanding dues to service providers for medical insurance policies of an affiliate estimated at SR 2.4 million (31 December 2010G: SR 12.7 million) in order to obtain approval from CCHI to resume medical business in Saudi Arabia.

A counter guarantee has been received from the affiliate by the Company.

## 23. RISK MANAGEMENT

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

### Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual claims paid are greater than originally estimated claims.

Significant portion of reinsurance business ceded is placed on facultative and quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

### Re-insurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. 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. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurers of minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with Standards and Poors) and AA- (with AM Best) and of reputation have been adopted by the Company.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011G

### Regulatory framework risk

The operations of the Company are also subject to 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 minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise.

As at December 31, 2011G, the Company's solvency level is less than the minimum solvency margin required by the Saudi Arabian Insurance Regulations. The Company is in the process of increasing its share capital by SR 100 million (note 3) in order to achieve the solvency margin requirement.

### Capital management risk

Capital requirements are set and regulated by SAMA. These requirements are put in place to ensure sufficient solvency margins.

The Company manages its capital requirements by assessing the risk of 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 any possible amount of dividends paid to shareholders or raise new capital through the Saudi stock market.

As at December 31, 2011G, the Company's capital was less than the minimum regulatory solvency requirement. The Company is in the process of increasing its share capital by SR 100 million (note 3).

### Financial risk

The Company's principal financial instruments are receivables arising from insurance contracts, due from related parties, statutory deposit, cash and cash equivalents, trading investments, outstanding claims and certain other assets and liabilities.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are market price risk, commission rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

### Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Although as at December 31, 2011G, the Company is not exposed to market price risk, during the previous year ended December 31, 2010G, the Insurance operations and Shareholders' operations were exposed to market price risk with respect to their trading investments in units of Murabaha funds.

### Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. Although as at December 31, 2011G, the Company is not exposed to commission rate risk, during the previous year ended December 31, 2010G, the Shareholders' operations was exposed to commission rate risk on its short term deposits.

### Foreign currency risk

Foreign 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 fluctuations, as the Company primarily deals in Saudi Riyals.

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

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December 31, 2011G

### 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 credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position. The Company's credit risk exposure relating to customers and deposits is concentrated in Saudi Arabia.

The Company seeks to limit its credit risk with respect to customers by following the Company credit control policy and monitoring outstanding receivables on an ongoing basis in order to reduce the Company's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Company also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the premium receivables. The Company seeks to limit its credit risk with respect to other counterparties by placing deposits with reputable banks. The Company enters into reinsurance contracts with reinsurers having minimum acceptable credit rating by recognized rating agencies that is not lower than BBB (with standards and poors) and AA- (with AM Best).

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

	2011G	2010G
	SR '000	SR '000
<b>Insurance' Operations</b>		
Cash and cash equivalents	58,384	23,662
Premiums and reinsurance receivable - net	8,836	15,918
Reinsurance share of unearned premium	11,422	13,853
Reinsurance share of outstanding claims	1,861	7,627
Due from shareholders' operations	9,467	9,884
Investments	--	10,020
	89,970	80,964
<b>Shareholders' Operations</b>		
Cash and cash equivalents	13,492	25,242
Investments	2,877	2,893
Due to insurance operations	9,467	9,884
	25,836	38,019

### 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 monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The financial liabilities consist of outstanding claims, reinsurance balance payable and certain other liabilities. All financial liabilities, except for employees' termination benefits which is non-current in nature, are non-commission bearing and expected to be settled within twelve months from the statement of financial position date.

All assets of the Company are current, except for furniture, fittings and equipments and statutory deposit, which are non-current in nature.

## ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011G

#### 24. LOSS PER SHARE

Loss per share for the year ended December 31, 2011G (2010G: loss per share) has been calculated by dividing the net loss for the year by the ordinary issued and outstanding shares at the statement of financial position date. Diluted loss per share is not applicable for the Company for the year ended December 31, 2011G (2010G: not applicable).

#### 25. FAIR VALUES OF FINANCIAL INSTRUMENTS

- a) 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, trading investments, premiums and reinsurance receivable, reinsurance share of unearned premium, reinsurance share of claims, and its financial liabilities consist of outstanding claims, reinsurance balances

payable, and other liabilities. The fair values of financial instruments are not materially different from their carrying values. As at December 31, 2011G, apart from the trading investments which are carried at fair value (note 9), there were no other financial instruments held by the Company that were measured at fair value (2010G: nil).

- b) 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.

As at 31 December 2011G and 2010G, all financial instruments which are fair valued are Level 1 instruments except for investment in shareholders operations (note 9) for which level 3 is used for fair valuation.

#### 26. SEGMENT REPORTING

Segment information is presented in respect of the company's business segments which are Fire, Engineering, Marine, General accident, Motor, Medical and Shareholders' fund based on the company's management and internal reporting structure.

Segment assets do not include cash and cash equivalents, due from shareholders' operations, prepayments, advances and other receivables and furniture, fittings and equipment.

Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and employees' termination benefits.

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

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011G

The segment results for the year ended December 31, 2011G are as follows:

	Share	Insurance operations							
	holders' Fund	Fire	Engi- neering	Marine	General accident	Motor	Medi- cal	Unallo- cated	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUE									
Gross written premium	--	8,956	7,247	2,199	14,031	133,511	2,446	--	168,391
Premium ceded	--	(8,535)	(7,211)	(1,484)	(9,555)	(130)	(910)	--	(27,826)
Retained written premium	--	421	36	715	4,476	133,381	1,536	--	140,565
Net movement in unearned premium	--	84	(4)	88	(253)	(17,610)	(180)	--	(17,875)
Excess of loss premium	--	(134)	(135)	(106)	(65)	(1,764)	(168)	--	(2,372)
Net earned premium	--	371	(103)	697	4,158	114,007	1,188	--	120,318
Reinsurance commis- sion earned	--	2,081	301	447	1,301	5	191	--	4,326
Total insurance rev- enue	--	2,452	198	1,144	5,459	114,012	1,379	--	124,644
CLAIMS									
Gross claims paid	--	4,766	3,594	406	138	61,699	1,212	--	71,815
Claims recovered from reinsurance	--	(4,392)	(3,574)	(218)	(76)	--	(606)	--	(8,866)
Net claims paid	--	374	20	188	62	61,699	606	--	62,949
Net movement in outstanding claims	--	240	(29)	(116)	252	11,748	104	--	12,199
Net claims incurred	--	614	(9)	72	314	73,447	710	--	75,148
Policy acquisition cost	--	212	145	103	812	33,789	119	--	35,180
Net claims	--	826	136	175	1,126	107,236	829	--	110,328
Net underwriting result	--	1,626	62	969	4,333	6,776	550	--	14,316
Investment and other income	--	--	--	--	--	--	--	54	54
EXPENSES									
Selling and marketing	--	--	--	--	--	--	--	(7,453)	(7,453)
General and adminis- trative	--	--	--	--	--	--	--	(16,384)	(16,384)
Deficit from insurance operations	--	1,626	62	969	4,333	6,776	550	(23,783)	(9,467)

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011G

	Share	Insurance operations							Total
	holders' Fund	Fire	Engi- neering	Marine	General accident	Motor	Medi- cal	Unallo- cated	
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Deficit transferred to shareholders' operations	--	(1,626)	(62)	(969)	(4,333)	(6,776)	(550)	23,783	9,467
Investment and other income	37	--	--	--	--	--	--	--	37
Deficit transferred from insurance operations	(9,467)	--	--	--	--	--	--	--	(9,467)
General and administrative expenses	(520)	--	--	--	--	--	--	--	(520)
Net loss for the year	(9,950)	--	--	--	--	--	--	--	(9,950)

The segment results for the year ended December 31, 2010G are as follows:

	Insurance operations								
	Share- holders' Fund	Fire	Engi- neering	Marine	General accident	Motor	Medical	Unallo- cated	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
REVENUE									
Gross written premium	--	17,587	1,102	2,682	10,133	65,353	1,528	--	98,385
Premium ceded	--	(17,207)	(1,095)	(1,590)	(5,683)	(10)	(764)	--	(26,349)
Retained written premium	--	380	7	1,092	4,450	65,343	764	--	72,036
Net movement in unearned premium	--	(123)	(7)	172	(2,501)	(46,611)	(948)	--	(50,018)
Excess of loss premium	--	(132)	(122)	(98)	(48)	(894)	--	--	(1,294)
Net earned premium	--	125	(122)	1,166	1,901	17,838	(184)	--	20,724
Reinsurance commission earned	--	796	220	599	368	--	63	--	2,046
Total insurance revenue	--	921	98	1,765	2,269	17,838	(121)	--	22,770

# ALLIED COOPERATIVE INSURANCE GROUP (ACIG)

(SAUDI JOINT STOCK COMPANY)

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011G

	Insurance operations								
	Share- hold- ers' Fund	Fire	Engi- neering	Marine	General acci- dent	Motor	Medical	Unallo- cated	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000

### CLAIMS

Gross claims paid	--	22,490	--	404	29	5,294	--	--	28,217
Claims recovered from reinsurance	--	(22,311)	--	(282)	(25)	--	--	--	(22,618)
Net claims paid	--	179	--	122	4	5,294	--	--	5,599
Net movement in outstanding claims	--	(125)	33	327	702	5,105	148	--	6,190
Net claims incurred	--	54	33	449	706	10,399	148	--	11,789
Policy acquisition cost	--	127	50	11	163	5,142	38	--	5,531
Net claims	--	181	83	460	869	15,541	186	--	17,320
Net underwriting result	--	740	15	1,305	1,400	2,297	(307)		5,450
Investment and other income	--	--	--	--	--	--	--	22	22

### EXPENSES

Selling and marketing	--	--	--	--	--	--	--	(6,641)	(6,641)
General and administrative	--	--	--	--	--	--	--	(18,280)	(18,280)
Deficit from insurance operations	--	740	15	1,305	1,400	2,297	(307)	(24,899)	(19,449)
Deficit transferred to shareholders' operations	--	(740)	(15)	(1,305)	(1,400)	(2,297)	307	24,899	19,449
Investment and other income	317	--	--	--	--	--	--	--	317
Deficit transferred from insurance operations	(19,449)	--	--	--	--	--	--	--	(19,449)
General and administrative expenses	(502)	--	--	--	--	--	--	--	(502)
Net loss for the year	(19,634)	--	--	--	--	--	--	--	(19,634)

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011G

The segment statement of financial position as at December 31, 2011G is as follows:

	Share	Insurance operations							Total (Unau- dited)
	holders' Fund	Fire	Engineer- ing	Marine	General accident	Motor	Medi- cal	Unallo- cated	
Investments	2,877	--	--	--	--	--	--	--	2,877
Furniture, fittings and equipment	--	--	--	--	--	--	--	5,222	5,222
Premiums and reinsur- ance receivable – net	--	470	380	115	736	7,005	128	--	8,836
Reinsurance share of unearned premiums	--	2,350	3,687	113	4,609	1	662	--	11,422
Reinsurance share of outstanding claims	--	578	468	298	478	--	39	--	1,861
Deferred policy acqui- sition cost	--	110	47	7	316	17,216	141	--	17,835
Other assets	26,612	--	--	--	--	--	--	70,628	97,240
Total assets	29,489	3,508	4,582	533	6,139	24,222	970	75,850	145,293
Gross outstanding claims	--	933	471	553	1,453	16,855	291	--	20,556
Unearned premium	--	2,451	3,711	162	8,866	64,222	1,789	--	81,201
Unearned commission	--	468	489	40	865	2	--	--	1,864
Other liabilities	29,489	--	--	--	--	--	--	12,183	41,672
Total liabilities	29,489	3,852	4,671	755	11,184	81,079	2,080	12,183	145,293



**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
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**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2011G

The segment statement of financial position as at December 31, 2010G is as follows:

	Share	Insurance operations							Total (Au- dited)
	holders' Fund	Fire	Engi- neering	Marine	General accident	Motor	Medi- cal	Unallo- cated	
Investments	2,893	--	--	--	--	--	--	10,020	12,913
Furniture, fittings and equipments	--	--	--	--	--	--	--	5,541	5,541
Premiums and reinsur- ance receivable	--	11,554	170	414	1,566	1,011	1,203	--	15,918
Reinsurance share of unearned premiums	--	9,499	726	391	2,999	--	238	--	13,853
Reinsurance share of outstanding claims	--	835	6,321	328	115	--	28	--	7,627
Deferred policy acqui- sition cost	--	92	37	3	195	13,692	115	--	14,134
Other assets	37,587	--	--	--	--	--	--	34,457	72,044
Total assets	40,480	21,980	7,254	1,136	4,875	14,703	1,584	50,018	142,030
Gross outstanding claims	--	952	6,354	698	839	5,105	174	--	14,122
Unearned premium	--	9,683	746	528	7,003	46,611	1,185	--	65,756
Unearned commission	--	1,226	175	94	707	1	190	--	2,393
Other liabilities	40,480	--	--	--	--	--	--	19,279	59,759
Total liabilities	40,480	11,861	7,275	1,320	8,549	51,717	1,549	19,279	142,030

## 27. COMPARATIVE FIGURES

Certain figures of prior period have been reclassified to conform with the current year's presentation.

## 28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 26 Jumadi Awwal 1433 H, corresponding to 18 April 2012G.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS  
For the three month period ended  
31 March 2012G



# Al Fozan & Al Sadhan

License No. 46/11/323  
Issued 11/3/1992  
P.O. Box 55078  
Jeddah 21534  
Saudi Arabia



# Aldar Audit Bureau

Abdullah AlBasri & Co.  
Member firm of Grant Thornton International  
Licence No. 323/11/36/1  
P.O. Box 20142 - Jeddah 21455  
Kingdom of Saudi Arabia

## REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

### THE SHAREHOLDERS

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
KINGDOM OF SAUDI ARABIA

### Scope of review

We have reviewed the accompanying interim statement of financial position of Allied Cooperative Insurance Group (ACIG) – a Saudi Joint Stock Company ('the Company') as at 31 March 2012, and the related interim statements of insurance operations and accumulated surplus, shareholders' comprehensive income, changes in shareholders' equity, insurance operations cash flows and shareholders' operations cash flows for the three month period then ended, together with the notes forming part thereof. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

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

### Emphasis of Matter

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

We further draw attention to note 2 to the accompanying interim condensed financial statements, which refers to the Company's accumulated losses at 31 March 2012, amounting to SR 84.15 million at that date (31 December 2011: SR 80.93 million), which exceed 75% of the Company's capital resulting in invoking the requirements of Article 148 of the Companies Regulations. However, the requirements of Article 148 of the Companies Regulations have subsequently been initiated in the Board of Directors meeting dated 5 April 2012 that has approved the convening of extraordinary general meeting. The continuation of the operations of the Company is dependent on the future profitability of operations and importantly, the pending increase in the share capital through a rights issue which was approved by SAMA in October 2010.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

for KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen

Certified Public Accountant

License No. 382



Jeddah, Kingdom of Saudi Arabia  
23 Jumadi Al Thani 1433 H  
14 May 2012

for Aldar Audit Bureau  
Abdullah AlBasri & Co

Waheed Salah Gharaz

Certified Public Accountant

License No. 247



**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
**(SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2012G

	Notes	31 March 2012G	31 December 2011G
		SR '000	SR '000
		(Unaudited)	(Audited)
INSURANCE OPERATIONS ASSETS			
Cash and cash equivalents	6	71,651	58,384
Premiums and reinsurance receivable – gross		14,112	9,508
Allowances for doubtful receivable		(977)	(672)
Premiums and reinsurance receivable - net		13,135	8,836
Reinsurance share of outstanding claims	8	1,715	1,861
Reinsurance share of unearned premium	9	12,150	11,422
Deferred policy acquisition cost		20,763	17,835
Due from shareholders’ operations	10	12,646	9,467
Prepayments, advances and other receivables		3,814	2,777
Furniture, fittings and equipment		5,052	5,222
Total insurance operations assets		140,926	115,804
SHAREHOLDERS’ ASSETS			
Cash and cash equivalents	6	13,492	13,492
Prepayments, advances and other receivables		3,422	3,120
Investments	7	2,877	2,877
Statutory deposit		10,000	10,000
Total shareholders’ assets		29,791	29,489
Total assets		170,717	145,293

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF FINANCIAL POSITION  
As at 31 March 2012G

	Notes	31 March 2012G	31 December 2011G
		SR '000	SR '000
		(Unaudited)	(Audited)
INSURANCE OPERATIONS LIABILITIES AND DEFICIT			
Outstanding claims	8	19,551	20,556
Reinsurance balance payable		10,373	7,347
Unearned premium	9	103,545	81,201
Unearned commission		2,109	1,864
Accrued expenses and other liabilities		3,794	3,409
Employees' end of service benefits		1,554	1,427
Total insurance operations liabilities		140,926	115,804
Deficit from Insurance Operations		--	--
Total insurance operations liabilities and deficit		140,926	115,804
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Due to insurance operations	10	12,646	9,467
Accrued expenses and other liabilities		493	403
Accrued zakat	11	798	548
Total shareholders' liabilities		13,937	10,418
Shareholders' equity			
Share capital		100,000	100,000
Accumulated loss		(84,146)	(80,929)
Total shareholders' equity		15,854	19,071
Total shareholders' liabilities and equity		29,791	29,489
Total liabilities, Insurance Operations deficit and Shareholders' equity		170,717	145,293

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED  
SURPLUS (UNAUDITED)**

For the three month period ended 31 March 2012G

	31 March 2012G	31 March 2011G
	SR '000	SR '000
<b>REVENUE</b>		
Gross written premium	67,771	47,663
Premium ceded	(7,336)	(8,952)
Retained written premium	60,435	38,711
Net movement in unearned premium	(21,616)	(15,527)
Excess of loss premium	(1,170)	(546)
Net earned premium	37,649	22,638
Reinsurance commission earned	820	1,081
<b>Total insurance revenue</b>	<b>38,469</b>	<b>23,719</b>
<b>CLAIMS</b>		
Gross claims paid	25,425	8,884
Claims recovered from reinsurance	(1,118)	(334)
Net claims paid	24,307	8,550
Net movement in outstanding claims	(859)	1,491
Net claims incurred	23,448	10,041
Policy acquisition cost	10,228	6,238
	33,676	16,279
<b>Net underwriting result</b>	<b>4,793</b>	<b>7,440</b>
General and administrative expenses	(7,489)	(6,649)
Other income	--	42
<b>Deficit from insurance operations</b>	<b>(2,696)</b>	<b>833</b>
Deficit transferred to shareholders' operations	2,696	--
<b>Accumulated Surplus at the end of the period</b>	<b>--</b>	<b>833</b>

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

ALLIED COOPERATIVE INSURANCE`GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME  
(UNAUDITED)

For the three month period ended 31 March 2012G

	31 March 2012G	31 March 2011G
	SR '000	SR '000
Deficit from insurance operations	(2,696)	--
EXPENSES		
General and administrative expenses	(271)	(162)
	(2,967)	(162)
Investment and other income	--	36
Net loss for the period	(2,967)	(126)
Other comprehensive income/(expense)		
Zakat for the three month period	(250)	(147)
Comprehensive loss for the period	(3,217)	(273)
Weighted average number of ordinary shares outstanding (in thousands)	10,000	10,000
Loss per share (Saudi Arabian Riyals)	(0.30)	(0.01)

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
**(SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF INSURANCE OPERATIONS CASH FLOWS**  
**(UNAUDITED)**

For the three month period ended 31 March 2012G

	31 March 2012G	31 March 2011G
	SR '000	SR '000
<b>OPERATING ACTIVITIES</b>		
Net deficit/surplus for the period from Insurance Operations	--	833
Adjustments for:		
Depreciation	306	275
Investment income	--	(47)
Loss on disposal of furniture, fittings and equipment	--	5
Employees' end of service benefits, net	127	95
	433	1,161
Changes in assets and liabilities:		
Premiums and reinsurance receivable – net	(4,299)	7,137
Reinsurance share of outstanding claims	146	(9,012)
Reinsurance share of unearned premium	(728)	(1,162)
Deferred policy acquisition cost	(2,928)	(4,522)
Due from shareholders' operations	(3,179)	9,884
Prepayments, advances and other receivables	(1,037)	(882)
Outstanding claims	(1,005)	10,504
Reinsurance balance payable	3,026	(7,930)
Unearned premium	22,344	16,689
Unearned commission	245	52
Accrued expenses and other liabilities	385	(232)
Due to a related party	--	(2,940)
Net cash from operating activities	13,403	18,747
<b>INVESTING ACTIVITIES</b>		
Purchase of investment	--	(13,000)
Proceeds from redemption of investment	--	23,067
Purchase of furniture, fittings and equipment	(136)	(176)
Net cash from investing activities	(136)	9,891
Increase in cash and cash equivalents	13,267	28,638
Cash and cash equivalents at 1 January	58,384	23,662
Cash and cash equivalents at 31 March	71,651	52,300

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.



ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS CASH FLOWS  
(UNAUDITED)

For the three month period ended 31 March 2012G

	31 March 2012G	31 March 2011G
	SR '000	SR '000
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(2,967)	(126)
Adjustment for:		
Investment income	--	(30)
	(2,967)	(156)
Changes in assets and liabilities:		
Prepayments, advances and other receivables	(302)	(295)
Due to insurance operations	3,179	(9,884)
Accrued expenses and other liabilities	90	(41)
Net cash used in operating activities	--	(10,376)
<b>INVESTING ACTIVITIES</b>		
Purchase of trading investments	--	(24,800)
Proceeds from redemption of trading investments	--	24,846
Net cash from investing activities	--	46
Net decrease in cash and cash equivalents	--	(10,330)
Cash and cash equivalents at 1 January	13,492	25,242
Cash and cash equivalents at 31 March	13,492	14,912

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
**(SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(UNAUDITED)**

For the three month period ended 31 March 2012G

	Share capital	Accumulated loss	Total
	SR '000	SR '000	SR '000
Balance as at 31 December 2011G (Audited)	100,000	(80,929)	19,071
Net loss for the three month period	--	(2,967)	(2,967)
Zakat for the three month period	--	(250)	(250)
Balance as at 31 March 2012G	100,000	(84,146)	15,854
Balance as at 31 December 2010G (Audited)	100,000	(70,444)	29,556
Net loss for the three month period	--	(126)	(126)
Zakat for the three month period	--	(147)	(147)
Balance as at 31 March 2011G	100,000	(70,717)	29,283

The accompanying notes 1 to 14 form an integral part of these interim condensed financial statements.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
31 March 2012G

## **1. REPORTING ENTITY AND OPERATIONS**

Allied Cooperative Insurance Group (ACIG) ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per the Ministry of Commerce and Industry's Resolution number 179/Q dated 8 Rajab 1428 H (corresponding to 22 July 2007). The Commercial Registration number of the Company is 4030171999 dated 9 Shabaan 1428H, (corresponding to 22 August 2007). The Registered Office of the Company is situated at:

Al Ruwais District,  
P.O. Box 7076,  
Jeddah 21462,  
Kingdom of Saudi Arabia.

The Company is licensed to conduct insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree No. 32/M dated 2 Jumadi Akhir 1424 H (corresponding to 31 July 2003) pursuant to the Council of Ministers' Resolution No. 60/M dated 18 Ramadan 1427 H (corresponding to 11 October 2006).

The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia in accordance with its articles of association and applicable regulations in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on 1 July 2009G. The Company was listed on the Saudi Stock Exchange (Tadawul) on 27 August 2007.

## **2. GOING CONCERN**

As at 31 March 2012G, the Company has accumulated losses of SR 84.15 million (31 December 2011G: SR 80.93 million), which exceed 75% of the Company's capital thereby resulting in applicability of Article 148 of the Companies Regulations. However, the requirements of Article 148 of the Companies Regulations has been initiated in the Board of Directors meeting dated 5 April 2012G that has approved the convening of the extraordinary general meeting (EGM) which is expected to convene shortly to seek shareholders approval for continuation of business. Whilst approving these interim condensed financial statements, the Board of Directors on May 14, 2012G have further resolved the going concern assumption as appropriate and recommend it to be voted in the aforementioned EGM. The continuation of the operations of the Company is dependent on the future profitability of operations and pending increase in the share capital through a rights issue which was approved by SAMA in October 2010G.

Previously, the Board of Directors have considered the financial position of the Company and, at its meeting held on 27 October 2009G, resolved to continue in business and increase the share capital of the Company. On 19 October 2010G, the Saudi Arabian Monetary Agency (SAMA) approved increase in share capital of the Company from SR 100 million to SR 200 million with a condition of founding shareholders (representing 60% of the share capital) confirmation to participation in the rights issue. As at 31 December 2011G, 53 percent of the shareholders have confirmed in writing their intent to support the rights issue.

On obtaining the aforementioned conditional approval from SAMA, the company commenced the process of rights issue, as prescribed by Capital Market Authority. An extraordinary meeting

of shareholders will be convened with the objective of approving the proposed rights issue upon obtaining approval from Capital Market Authority, as mentioned above.

The above mentioned conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. However, whilst approving the financial statements for the year ended 31 December 2011G, on 18 April 2012G, the Board of Directors reconsidered the financial position and the matters disclosed in the preceding paragraphs and continue to believe that the going concern basis of preparation of the financial statements is appropriate. These interim condensed financial statements have been prepared on the assumption that the Company will continue in business as a going concern, and do not include any adjustments that might result from the outcome of uncertainties from above mentioned conditions.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
**(SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
31 March 2012G

### **3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These interim condensed financial statements are unaudited and being presented in condensed form in accordance with the requirements of the approved accounting standard "International Accounting Standard – Interim Financial Reporting (IAS-34)." These interim condensed financial statements are prepared under the historical cost convention.

As required by Saudi Arabian insurance regulations, the Company maintains separate books of 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 expenses and assets from joint operations is determined by the management and Board of Directors.

The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those used for the preparation of annual financial statements. The adoption of new and amended IFRS and International Financial Reporting Interpretations Committee Interpretations (IFRIC) by the Company as mentioned hereunder, did not have any impact on these interim condensed financial statements.

These interim condensed financial statements for the three-month period ended 31 March 2012G ('the period') do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS. These interim condensed financial statements should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2011G.

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities are expected to be recovered and settled respectively within 12 months after the interim reporting date. The Company's interim results may not be indicative of its annual results.

These interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousands, except where indicated otherwise.

#### *New IFRS, IFRIC and amendments thereof, adopted by the Company*

The Company has adopted the following amendments and revisions to existing standards, which has had no financial impact on the interim condensed financial statements of the Company. The International Accounting Standards Board (IASB) has issued the following new and amended IFRS and IFRIC:

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

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
31 March 2012G

New IFRS, IFRIC and amendments thereof, issued but not yet effective

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

Standard/ Interpretation	Description	Effective from periods beginning on or after following date
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015G
IFRS 10	Consolidated financial statements	1 January 2013G
IFRS 11	Joint arrangements	1 January 2013G
IFRS 12	Disclosures of interests in other entities	1 January 2013G
IFRS 13	Fair value measurement	1 January 2013G
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012G
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013G
IAS 27	Separate financial statements	1 January 2013G
IAS 28	Investments in associates and joint ventures	1 January 2013G

#### 4. ACCOUNTING ESTIMATES

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were consistent with those applied to the annual financial statements as at and for the year ended 31 December 2011G.

#### 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2011G.

#### 6. CASH AND CASH EQUIVALENTS

	March 31, 2012G	December 31, 2011G
	(Unaudited)	(Audited)
	SR'000	SR'000
<i>Insurance Operations</i>		
Cash in hand	44	6
Cash at banks – current accounts	71,607	58,378
	71,651	58,384
<i>Shareholders' Operations</i>		
Cash at banks – current accounts	13,492	13,492

ALLIED COOPERATIVE INSURANCE GROUP (ACIG)  
(SAUDI JOINT STOCK COMPANY)  
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
31 March 2012G

## 7. INVESTMENTS

### Shareholders' Operations

This represents investment in Najm for Insurance Services Company and is classified as available for sale.

## 8. OUTSTANDING CLAIMS – NET

	March 31, 2012G	December 31, 2011G
	(Unaudited)	(Audited)
	SR'000	SR'000
<i>Insurance operations</i>		
Gross outstanding claims	11,180	8,961
Add: Incurred but not reported (IBNR) reserve	8,371	11,595
Outstanding claims	19,551	20,556
Reinsurance share of outstanding claims	(1,715)	(1,861)
Outstanding claims – net	17,836	18,695

## 9. UNEARNED PREMIUM – NET

<i>Insurance operations</i>		
Unearned premium	103,545	81,201
Reinsurance share of unearned premium	(12,150)	(11,422)
Unearned premium – net	91,395	69,779

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
31 March 2012G

## 10. TRANSACTIONS WITH RELATED PARTIES

Major related party transactions during the period and the related balances at the end of the period are as follows:

### Insurance operations

Related party	Nature of transaction	Transactions		Closing balance Receivable / (Payable)	
		31 March 2012G	31 March 2011G	31 March 2012G	31 March 2011G
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		SR'000	SR'000	SR'000	SR'000
Shareholders' Operations	Expenses incurred on behalf of insurance operations	483	497	483	--
Shareholders' Operations	Deficit from insurance operations	(2,696)	--	12,163	--
Affiliates	Premiums written	65	--	40	28
Affiliates	Claims	18	60	75	65
Shareholder	Others	1,002	2,940	--	918
Key management personnel	Board and audit committee fee	50	64	--	--
	Short term benefits	1,184	841	--	80
	Long term benefits	57	72	554	680

## 11. ZAKAT AND INCOME TAX

Zakat and income tax returns have been filed with the Department of Zakat and Income Tax ("DZIT") for the years ended up to December 31, 2010G. Final certificate has been received from DZIT for the year ended December 31, 2008G. However, DZIT has raised an additional assessment in respect of the returns filed for the years ended December 31, 2008G, 2009G and 2010G amounting to SR 1.86 million which has not been booked in the financial statements. The major difference of the additional assessment relates to disallowance of a portion of pre-incorporation expenses and withholding tax. The Company has filed an objection against this additional assessment and is confident of a favorable outcome.

## 12. CONTINGENCY

The Company has provided a guarantee to the Council of Cooperative Health Insurance (CCHI) to settle the outstanding dues to service providers for medical insurance policies of a shareholder estimated at SR 2.4 million (31 December 2011G: SR 2.4 million) in order to obtain approval from CCHI to resume medical business in Saudi Arabia. A counter guarantee has been received from the affiliate by the Company.

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
31 March 2012G

### 13. SEGMENT INFORMATION

Segment information is presented in respect of the company's business segments which are Motor, Medical, General accident and others based on the company's management and internal reporting structure. Other segments comprise of Fire, Marine and Engineering related insurance policies.

Operating segments do not include Shareholders' operations of the Company. There are no seasonal changes that affect insurance operations.

Segment assets do not include cash and cash equivalents, due from shareholders' operations, prepayments, advances and other receivables and furniture, fittings and equipment. Segment liabilities do not include reinsurance balance payable, accrued expenses and other liabilities and employees' termination benefits.

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

31 March 2012G	Motor	Medical	General accident	Others	Unallo-cated	Total (Unau-dited)
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Premiums and reinsurance receivable – net	11,305	119	1,182	529	--	13,135
Reinsurance share of unearned premiums	70	684	6,178	5,218	--	12,150
Reinsurance share of outstanding claims	--	155	490	1,070	--	1,715
Deferred policy acquisition cost	20,030	111	428	194	--	20,763
Other assets	--	--	--	--	93,163	93,163
Total insurance operations assets						140,926
Gross outstanding claims	16,480	213	1,566	1,292	--	19,551
Unearned premium	85,538	1,819	10,593	5,595	--	103,545
Unearned commission	7	--	1,228	874	--	2,109
Other liabilities	--	--	--	--	15,721	15,721
Total insurance operations liabilities						140,926
31 December 2011G						
Premiums and reinsurance receivable – net	7,005	128	736	965	--	8,836
Reinsurance share of unearned premiums	1	662	4,609	6,150	--	11,422
Reinsurance share of outstanding claims	--	39	478	1,344	--	1,861
Deferred policy acquisition cost	17,216	141	316	164	--	17,835
Other assets	--	--	--	--	75,850	75,850
Total insurance operations assets						115,804
Gross outstanding claims	16,855	291	1,453	1,957	--	20,556
Unearned premium	64,222	1,789	8,866	6,324	--	81,201
Unearned commission	2	--	865	997	--	1,864
Other liabilities	--	--	--	--	12,183	12,183
Total insurance operations liabilities						115,804



**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
31 March 2012G

31 March 2012G	Motor	Medical	General ac- cident	Others	Unallo- cated	Total (Unau- dited)
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>REVENUE</b>						
Gross written premium	58,330	615	6,100	2,726	--	67,771
Premium ceded	(90)	(241)	(4,719)	(2,286)	--	(7,336)
Retained written premium	58,240	374	1,381	440	--	60,435
Net movement in unearned premium	(21,247)	(6)	(159)	(204)	--	(21,616)
Excess of loss premium	(1,046)	(22)	(28)	(74)	--	(1,170)
Net earned premium	35,947	346	1,194	162	--	37,649
Reinsurance commission earned	--	--	233	587	--	820
Total insurance revenue	35,947	346	1,427	749	--	38,469
<b>CLAIMS</b>						
Gross claims paid	23,684	501	346	894	--	25,425
Claims recovered from reinsurance	(4)	(251)	(149)	(714)	--	(1,118)
Net claims paid	23,680	250	197	180	--	24,307
Net movement in outstanding claims	(374)	(195)	100	(390)	--	(859)
Net claims incurred	23,306	55	297	(210)	--	23,448
Policy acquisition cost	9,806	70	168	184	--	10,228
	33,112	125	465	(26)	--	33,676
Net underwriting result	2,835	221	962	775	--	4,793
General and administrative	--	--	--	--	(7,489)	(7,489)
Deficit from insurance operations						(2,696)

**ALLIED COOPERATIVE INSURANCE GROUP (ACIG)**  
(SAUDI JOINT STOCK COMPANY)  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

31 March 2012G

31 March 2012G	Motor	Medical	General ac- cident	Others	Unallo- cated	Total (Unau- dited)
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<b>REVENUE</b>						
Gross written premium	37,079	26	4,221	6,337	--	47,663
Premium ceded	(81)	--	(2,997)	(5,874)	--	(8,952)
Retained written premium	36,998	26	1,224	463	--	38,711
Net movement in unearned premium	(16,340)	564	255	(6)	--	(15,527)
Excess of loss premium	(441)	--	(12)	(93)	--	(546)
Net earned premium	20,217	590	1,467	364	--	22,638
Reinsurance commission earned	--	63	206	812	--	1,081
Total insurance revenue	20,217	653	1,673	1,176	--	23,719
<b>CLAIMS</b>						
Gross claims paid	8,438	174	3	269	--	8,884
Claims recovered from reinsurance	--	(87)	(2)	(245)	--	(334)
Net claims paid	8,438	87	1	24	--	8,550
Net movement in outstanding claims	1,329	23	124	15	--	1,491
Net claims incurred	9,767	110	125	39	--	10,041
Policy acquisition cost	5,964	40	119	115	--	6,238
	15,731	150	244	154	--	16,279
Net underwriting result	4,486	503	1,429	1,022	--	7,440
General and administrative	--	--	--	--	(6,649)	(6,649)
Other income	--	--	--	--	42	42
Surplus from insurance operations						833

#### 14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on 23 Jumadi Al Thani 1433 H, corresponding to May 14, 2012G.

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