

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT (Unaudited)**

**FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL
RESOLUTION) TO MARCH 31, 2011**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

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**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE SHAREHOLDERS OF AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Amana Cooperative Insurance Company (the "Company") - A Saudi Joint Stock Company as at 31 March 2011, the related interim statements of insurance operations and shareholders' comprehensive loss for the three month period ended March 31, 2011 and for the period from May 17, 2010 (Date of Ministerial Resolution) to March 31, 2011 and the related interim statements of changes in shareholders' equity and insurance operations and shareholders' cash flows for the period from May 17, 2010 (Date of Ministerial Resolution) to March 31, 2011 and the notes from 1 to 12 which form an integral part of these interim condensed financial statements. 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 (IAS 34) "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited 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, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

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

EMPHASIS OF A MATTER:

We draw attention these interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS 34) and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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April 20, 2011

Jumada Al-Awwal 16, 1432H



AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011 (Unaudited)

	<u>Notes</u>	<u>SR '000</u>
INSURANCE OPERATIONS' ASSETS		
Cash and cash equivalents	5	100,142
Receivables, net	6	18,620
Reinsurers' share of unearned premium		44,995
Reinsurers' share of outstanding claims		6,690
Deferred policy acquisition costs		18,831
Prepaid expenses and other assets		13,554
Due from shareholders		1,927
Property and equipment, net		1,287
Total insurance operations' assets		<u>206,046</u>
SHAREHOLDERS' ASSETS		
Cash and cash equivalents	5	155,445
Statutory deposit	7	32,000
Available for sale investments	8	84,194
Total shareholders' assets		<u>271,639</u>
TOTAL ASSETS		<u>477,685</u>



The accompanying notes 1 to 12 are an integral part of these interim condensed financial statements

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)
AS AT MARCH 31, 2011 (Unaudited)

	<u>Notes</u>	<u>SR '000</u>
INSURANCE OPERATIONS' LIABILITIES		
Reinsurers' balances payable		54,023
Unearned premium		122,564
Unearned reinsurance commission		236
Outstanding claims		11,135
Accrued expenses and other liabilities		4,390
Due to related parties	9	13,698
Total insurance operations' liabilities		<u>206,046</u>
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders' liabilities:		
Accrued zakat		996
Accrued expenses and other liabilities		293
Due to insurance operations		1,927
Total shareholders' liabilities		<u>3,216</u>
Shareholders' equity:		
Share capital		320,000
Accumulated deficit		(51,771)
Change in fair value of available for sale investments	8	194
Total shareholders' equity		<u>268,423</u>
Total shareholders' liabilities and equity		<u>271,639</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>477,685</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS (Unaudited)

	For the three month period ended March 31, 2011 SR '000	For the period from May 17, 2010 (date of Ministerial Resolution) to March 31, 2011 SR '000
REVENUES		
Gross written premium	100,309	154,065
Less: Reinsurance ceded premium	(36,973)	(56,616)
Net written premium	63,336	97,449
Changes in unearned premium	(46,420)	(77,569)
Net earned premium	16,916	19,880
Reinsurance commission	95	135
Total revenues	17,011	20,015
COSTS AND EXPENSES		
Gross paid claims	4,265	4,289
Less: Reinsurance share	(2,424)	(2,424)
Net paid claims	1,841	1,865
Changes in outstanding claims	3,121	4,445
Net incurred claims	4,962	6,310
Policy acquisition costs	4,010	4,475
Excess of loss expenses	519	1,556
Other underwriting expenses	1,478	1,731
General and administrative expenses	8,350	23,402
Total costs and expenses	19,319	37,474
Deficit from insurance operations	(2,308)	(17,459)
Shareholders' absorption of deficit	2,308	17,459
ACCUMULATED DEFICIT	-	-

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AMANA COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE LOSS (Unaudited)

	For the three month period ended March 31, 2011 SR '000	For the period from May 17, 2010 (date of Ministerial Resolution) to March 31, 2011 SR '000
	Note	
Net deficit transferred from insurance operations	(2,308)	(17,459)
General and administrative expenses	(137)	(304)
Pre-operating expenses, net	-	(33,012)
Net loss for the period	(2,445)	(50,775)
Zakat and income tax	(996)	(996)
Change in fair value of available for sale investments	194	194
Total comprehensive loss for the period	(3,247)	(51,577)
Earnings / (loss) per share:		
Basic and diluted loss per share (SR)	11 (0.10)	(1.61)
Weighted average number of shares in issue throughout the period	32,000,000	32,000,000

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AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)

	Share capital SR '000	Accumulated deficit SR '000	Change in fair value of available for sale investments SR '000	Total SR '000
Issue of share Capital	320,000	-	-	320,000
Net loss for the period	-	(50,775)	-	(50,775)
Zakat and income tax		(996)		(996)
Change in fair value of available for sale investments			194	194
Balance as at March 31, 2011	320,000	(51,771)	194	268,423

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)

	<u>SR '000</u>
Cash flows from operating activities	
Adjustments to reconcile deficit from insurance operations after shareholders' absorption to net cash provided by operating activities:	
Shareholders' absorption of deficit	(17,459)
Depreciation	174
Provision for doubtful receivables	<u>1,098</u>
Operating deficit after shareholders' absorption and adjustments and before changes in operating assets and liabilities	(16,187)
Changes in operating assets and liabilities:	
Receivables	(19,718)
Reinsurers' share of unearned premium	(44,995)
Reinsurers' share of outstanding claims	(6,690)
Deferred policy acquisition costs	(18,831)
Prepaid expenses and other assets	(13,554)
Due from shareholders	15,532
Reinsurers' balances payable	54,023
Unearned premium	122,564
Unearned reinsurance commission	236
Outstanding claims	11,135
Accrued expenses and other liabilities	4,390
Due to related parties	<u>13,698</u>
Net cash from operating activities	<u>101,603</u>
Cash flows from investing activities	
Additions to property and equipment	<u>(1,461)</u>
Net cash used in investing activities	<u>(1,461)</u>
Increase in cash and cash equivalents	100,142
Cash and cash equivalents, beginning of the period	<u>-</u>
Cash and cash equivalents, end of the period	<u>100,142</u>



The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements

AMANA COOPERATIVE INSURANCE COMPANY
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INTERIM STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)

	<u>Notes</u>	<u>SR '000</u>
Cash flows from operating activities		
Net loss for the period		(50,775)
Adjustments to reconcile net loss to net cash used in operating activities		
Absorption of loss from insurance operations		17,459
Operating loss before changes in operating assets and liabilities		(33,316)
Changes in operating assets and liabilities:		
Accrued expenses and other liabilities		293
Due from insurance operations		(15,532)
Net cash used in operating activities		(48,555)
Cash flows from investing activities		
Purchase of available for sale investments		(84,000)
Net cash used in investing activities		(84,000)
Cash flows from financing activities		
Statutory deposit	7	(32,000)
Issued share capital		320,000
Net cash from investing activities		288,000
Increase in cash and cash equivalents		155,445
Cash and cash equivalents, beginning of the period		-
Cash and cash equivalents, end of the period		155,445
Supplemental non-cash information		
Change in fair value of available for sale investments	8	194





The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements

AMANA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)

1. GENERAL

Amana Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/35 dated on Jumad Al-Akher 3, 1431H (corresponding to May 17, 2010), and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010288711 dated Jumad Al-Akher 10, 1431H (corresponding to May 24, 2010). The Company's head office is at Salah-uddin Al-Ayubi Street, P.O. Box 27986, Riyadh 11427, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and reinsurance related services in accordance with its Articles of Association and the applicable regulations in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The interim condensed financial statements for the period from May 17, 2010 (date of Ministerial Resolution) to March 31, 2011 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS-34). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, i.e. in accordance with Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants.

2.2 Basis of Presentation

The Company's Articles of Association require to maintain separate books of account for the insurance and shareholders operations. Income 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 Management and the Board of Directors.

As per the Company's bye-laws and Articles of Association, the Company's first fiscal period shall commence on the date of the Ministerial Resolution announcing its formation, which was dated Jumad Al-Akher 3, 1431H (corresponding to May 17, 2010), and shall end on December 31, the following Gregorian year, being December 31, 2011. These interim condensed financial statements cover the period from May 17, 2010, being the date of the Ministerial Resolution to March 31, 2011 (the period), and have been prepared for the use of management and for submission to certain government agencies. These are part of the first period for interim condensed financial statements of the Company therefore no comparative information is presented in these interim condensed financial statements.

2.3 Basis of measurement

These interim condensed financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale investments.

2.4 Functional and presentation currency

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)

2. BASIS OF PREPARATION (Continued)

2.5 Critical accounting judgments, estimates and assumptions

The preparation of interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future and other key sources of estimation uncertainty at the interim statement of financial position date is discussed below. Further details of the specific estimate and judgments made by management are given in the relevant accounting policies notes:

(i) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the interim statement of financial position date, for which the insured event has occurred prior to the interim statement of financial position date. The Company uses the projected claims method to estimate the IBNR claims and it is as per the estimate of Actuary.

(ii) Deferred acquisition costs

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

(iii) Impairment losses on receivables

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)**

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATION

3.1 Standards affecting the disclosures and presentation in the current period

None of the revised Standards that have been adopted in the current period which is effective for annual periods beginning on or after January 1, 2010 has affected the disclosures and presentations in the interim condensed financial statements. Details of those Standards adopted in these interim condensed financial statements but that have had no effect on the amounts reported are set out in Note 3.2.

3.2 Standards and Interpretations adopted with no effect on the interim condensed financial statements

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

		Effective for annual periods beginning on or after
<i>New Interpretations:</i>		
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 18	Transfers of Assets from Customers	Transfers received on or after July 1, 2009
<i>Amendments to Standards:</i>		
IFRS 2	Share-based Payment – Amendments relating to group cash-settled share-based payment transactions	January 1, 2010
IFRS 3	Business Combinations- Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 annual improvements to IFRS's	July 1, 2009
IFRS 8	Operating Segments – Amendments for disclosure of segment assets	January 1, 2010
IAS 27	Consolidated and Separate Financial Statements- Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates- Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement- Amendments for eligible hedged Items	July 1, 2009
IAS 31	Interests in Joint Ventures- Consequential amendments arising from amendments to IFRS 3	July 1, 2009
Various Standards	Amendments resulting from April 2009 Annual Improvements to IFRS's	Various

AMANA COOPERATIVE INSURANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATION
(Continued)

3.3 Standards and Interpretations in issue not yet effective

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

	Effective for annual periods beginning on or after
<i>New Interpretation:</i>	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
<i>New Standard:</i>	
IFRS 9 Financial Instruments	January 1, 2013
<i>Amendments to Standards and Interpretations:</i>	
IFRS 1 First-time Adoption of International Financial Reporting Standards-Amendment relating to limited exemption from comparative IFRS 7 disclosures for first-time adopters	July 1, 2010
IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
IAS 24 Related Party Disclosures	January 1, 2011
IAS 32 Financial Instruments: Presentation – Classification of Right Issues	February 1, 2010
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011
Various Standards Amendments resulting from May 2010 Annual Improvements to IFRS's	Various

The Directors anticipate that other than IFRS 9 all of the above Standards and Interpretations as applicable, will be adopted in the Company's interim condensed financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application. IFRS 9 is likely to affect the Company's accounting for its financial assets. The Company is yet to assess IFRS 9's full impact.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of interim condensed financial statements are set out below:

4.1 Insurance contracts

Insurance contracts are defined as those containing insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance of existence of insurance risk. This insurance risk is dependent on both the probability of an insured 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 reduces significantly during this period.

4.2 Reinsurance

In the ordinary course of business, the Company cedes insurance premium 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, and excess of loss reinsurance agreement. An asset or liability is recorded in the interim insurance operations' statement of financial position representing premiums 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.

4.3 Impairment and uncollectibility of financial assets

An assessment is made at each interim statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including insurance receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount; and
- for financial assets at fair value, the impairment loss is based on the decline in fair value.
- for assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For presentation purposes, the resulting reserve is carried in the respective category within the interim statement of financial position and the related interim statements of insurance operations or interim shareholders' comprehensive loss are adjusted.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
MARCH 31, 2011 (Unaudited)**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Impairment and uncollectibility of financial assets (Continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization or;
- The disappearance of an active market for that financial asset because of financial difficulties.

4.4 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount 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 (cash-generating units).

4.5 Deferred policy acquisition costs

Direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a pro-rata basis based on the term of expected future premiums, except for marine cargo where the deferred portion shall be the cost incurred during the last quarter. Amortization is recorded in the interim statement of insurance operations.

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

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

4.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Pre-operating expenses

Pre-operating expenses comprise expenditure relating to activities that occur only once and relate to opening a new business location, or providing a new product or service, or commencing a business in a new geographic location, or providing a service to a new class of customers, or commencing new procedures in an existing location, or commencing new operations. These costs include underwriting fees, lawyers, administrators, consultants and accountants fees, various fees relating to registering the Company, advertising and promotion expenses relating to establishing the Company, costs of the share certificates and expenditure to obtain licenses. The pre-operating expenses have been recognized directly in the interim statement of shareholders' comprehensive loss.

4.8 Provisions for obligations

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.9 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the interim statement of financial position date are translated at the exchange rates prevailing at that date. Gains and losses from settlement of such transactions and from translation at period end exchange rate of monetary assets and liabilities denominated in foreign currencies are included in the interim statement of insurance operations or interim shareholders' comprehensive loss.

4.10 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. 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 interim statement of insurance operations initially by writing off related deferred policy acquisition costs and by subsequently 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Receivables

Accounts receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the interim statement of insurance operations. An allowance 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 their original terms.

4.12 End of service indemnities

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

4.13 Recognition of premium and commission revenue

Gross premiums and commissions on insurance contracts are recognized when the insurance policy is issued. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and commissions, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo shall be the premium written during the last three months of the current financial period.

4.14 Claims

Gross claims consist of benefits and claims paid to policyholders, changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses net of salvage recoveries.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the interim statement of financial position date together with related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid as of the interim statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on Management's judgment is maintained for the cost of settling claims incurred but not reported (IBNR) including related claims handling costs and the expected value of salvage and other recoveries at the interim statement of financial position date. Any difference between the provisions at the interim statement of financial position date and settlements and provisions in the following period is included in the interim statement of insurance operations.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. The IBNR is calculated based on the Actuarial report.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (Continued)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 De-recognition of financial instruments

The de-recognition 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.

4.16 Offsetting

Financial assets and liabilities are offset and the net amount reported in the interim statement of financial position 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 the liability simultaneously. Income and expense is not offset in the interim statement of insurance operations and interim shareholders' comprehensive loss unless required or permitted by any accounting standard or interpretation.

4.17 Leases

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

4.18 Zakat and Income Tax

The Saudi shareholders are subject to Zakat as per the Zakat Regulation. Accrued zakat is charged to Saudi shareholders.

The non-Saudi shareholders are subject to the Saudi Tax Regulation. Accrued tax is charged to none Saudi shareholders.

4.19 Segment reporting

A segment is a distinguishable component of the Company 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. For management purposes, the Company is organized into business units based on their products and services and has six reportable segments as follows:

- Medical provides coverage for health insurance and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Marine cargo
- General accident and other

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Segment reporting (Continued)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director that makes strategic decisions.

No inter-segment transactions occurred during the period. If any transactions were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will be eliminated at the level of the interim condensed financial statements of the Company.

5. CASH AND CASH EQUIVALENTS

i) Insurance Operations:

Insurance operations' cash and cash equivalents are comprised of the following:

	March 31, 2011 SR '000
Cash in hand	24
Bank current accounts	<u>100,118</u>
Total	<u>100,142</u>

ii) Shareholders' Operations:

Cash and cash equivalents related to the shareholders' operations are comprised of the following:

	March 31, 2011 SR '000
Bank current accounts	<u>105,445</u>
Deposits with financial institutions	<u>50,000</u>
Total	<u>155,445</u>

Bank current accounts are placed with local Banks having sound credit ratings.

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6. RECEIVABLES, NET

Receivables from insurance operations are comprised of amounts due from the following:

	March 31, 2011 SR '000
Policyholders	8,485
Agents and brokers	5,464
Related parties (Note 9)	5,769
	<u>19,718</u>
Provision for doubtful receivables	(1,098)
Total	<u>18,620</u>

Receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within 30 days of the date of the transaction. Arrangements with reinsurers normally require settlement within a certain agreed period.

7. STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations of SAMA, the Company has deposited 10 percent of its Share capital, amounting to SR 32 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank and can be withdrawn only with the consent of SAMA.

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments in shareholders' operations are comprised of the following:

		March 31, 2011 SR '000
Falcom Arab Markets Fund	Quoted	17,207
Falcom SAR Murabaha Fund	Quoted	27,007
Falcom Financial Services – Discretionary Portfolio Management	Unquoted	<u>39,980</u>
Total		<u>84,194</u>

The balance resulting from the change in fair value of available for sale investments amounting to SR 194,000 as at March 31, 2011 is reflected under shareholders' equity in the interim statement of financial position.

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9. RELATED PARTY MATTERS

The significant transactions with related parties and the related amounts are as follows:

	For the three month period ended March 31, 2011 SR '000	For the period from May 17, 2010 (date of Ministerial Resolution) to March 31, 2011 SR '000
Insurance policies issued to:		
El Seif Engineering Contracting Co.	6,332	6,815
Fal Group	414	1,652
Fahad Mohammed Saleh Al Athel	-	63
AlBilad Establishment for Trading	28	1,119
Total	<u>6,774</u>	<u>9,649</u>
Administration fee of GlobeMed for handling medical claims	<u>8,796</u>	<u>12,877</u>

All the investments as disclosed in Note 8 are with a related party and the management fee for managing the investments amounted to SR 4,383 for the period from May 17, 2010 (Date of Ministerial Resolution) to March 31, 2011.

Due from/to related parties are comprised of the following:

	March 31, 2011 SR '000
i) Insurance Operations	
Due from El Seif Engineering Contracting Co.	5,009
Due from Fal Group	542
Due from AlBilad Establishment for Trading	218
Due to Amana Gulf Insurance (AGI)	821
Due to GlobeMed Saudi	12,877
ii) Shareholders' Operations	
Payable to Board of Directors	92

Due to AGI represents the expenses paid by AGI on behalf of the Company.

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9. RELATED PARTY MATTERS (Continued)

GlobeMed Saudi is a related party due to Common ownership and the amount due represents the Third Party administration fees for medical claims handled under the agreement approved by the Board of Directors. The whole amount is deferred during the period and out of which SR 2.26 million is charged to the interim statement of insurance operations.

Remuneration and compensation of Board of Directors, Members and Top Executives

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and five top executives

For the three-month period ended March 31, 2011:

	BOD members (Executive)	BOD members (Non-Executive) (SR'000)	Top Executives
Salaries and compensation	450	-	296
Allowances	158	104	119
Total	608	104	415

For the period from May 17, 2010 (date of Ministerial Resolution) to March 31, 2011:

	BOD members (Executive)	BOD members (Non-Executive) (SR'000)	Top Executives
Salaries and compensation	1,350	-	2,144
Allowances	473	230	731
Total	1,823	230	2,875

During the period from May 17, 2010 (date of Ministerial Resolution) to March 31, 2011, the Non-Executive Board of Directors have been paid sitting fees amounting to SR 138,000.

10. SEGMENT INFORMATION

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

Segment assets do not include insurance operations' cash and cash equivalents, prepaid expenses and other assets, due from shareholders and property and equipment, net.

Segment liabilities do not include insurance operations' accrued expenses and other liabilities and due to related parties.

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10. SEGMENT INFORMATION (Continued)

For the three month period ended March 31, 2011

	Medical	Motor	Property	Engineering	Marine cargo	General accident & others	Total
	SR '000						
Insurance operations							
Gross written premium	98,839	528	243	5	351	343	100,309
Reinsurance ceded premium	(36,667)	-	(96)	(2)	(134)	(74)	(36,973)
Net written premium	62,172	528	147	3	217	269	63,336
Changes in unearned premium	(46,401)	54	151	18	(59)	(183)	(46,420)
Net earned premium	15,771	582	298	21	158	86	16,916
Reinsurance commission	-	-	61	3	26	5	95
Total revenues	15,771	582	359	24	184	91	17,011
Gross paid claims	4,033	215	-	-	17	-	4,265
Reinsurance share	(2,411)	-	-	-	(13)	-	(2,424)
Net paid claims	1,622	215	-	-	4	-	1,841
Changes in outstanding claims	2,769	217	(24)	16	123	20	3,121
Net incurred claims	4,391	432	(24)	16	127	20	4,962
Policy Acquisition costs	3,946	49	8	1	5	1	4,010
Excess of loss expenses	-	318	127	67	-	7	519
Other underwriting expenses	1,478	-	-	-	-	-	1,478
General and administrative expenses	8,259	33	15	-	21	22	8,350
Total cost and expenses	18,074	832	126	84	153	50	19,319
Deficit from insurance operations	(2,303)	(250)	233	(60)	31	41	(2,308)

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10. SEGMENT INFORMATION (Continued)

For the period from May 17, 2010 (date of Ministerial Resolution) to March 31, 2011

	Medical	Motor	Property	Engineering	Marine cargo	General accident & others	Total
	SR '000						
Insurance operations							
Gross written premium	147,510	2,477	2,720	165	549	644	154,065
Reinsurance ceded premium	(54,841)	-	(1,373)	(62)	(210)	(130)	(56,616)
Net written premium	92,669	2,477	1,347	103	339	514	97,449
Changes in unearned premium	(74,619)	(1,484)	(883)	(62)	(141)	(380)	(77,569)
Net earned premium	18,050	993	464	41	198	134	19,880
Reinsurance commission	-	-	89	6	33	7	135
Total revenues	18,050	993	553	47	231	141	20,015
Gross paid claims	4,033	239	-	-	17	-	4,289
Reinsurance share	(2,411)	-	-	-	(13)	-	(2,424)
Net paid claims	1,622	239	-	-	4	-	1,865
Changes in outstanding claims	3,677	507	57	23	143	38	4,445
Net incurred claims	5,299	746	57	23	147	38	6,310
Policy Acquisition costs	4,352	102	12	2	6	1	4,475
Excess of loss expenses	-	954	381	201	-	20	1,556
Other underwriting expenses	1,726	5	-	-	-	-	1,731
General and administrative expenses	22,588	351	340	(78)	79	122	23,402
Total cost and expenses	33,965	2,158	790	148	232	181	37,474
Deficit from insurance operations	(15,915)	(1,165)	(237)	(100)	(1)	(41)	(17,459)

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10. SEGMENT INFORMATION (Continued)

As at March 31, 2011

	Medical	Motor	Property	Engineering	Marine cargo	General accident & others	Total
	SR '000						
Insurance operations' assets							
Receivables, net	15,317	946	1,557	49	406	345	18,620
Reinsurers' share of unearned premium	43,867	-	894	40	93	101	44,995
Reinsurers' share of outstanding claims	5,515	-	662	56	436	21	6,690
Deferred policy acquisition costs	18,706	95	21	5	1	3	18,831
Unallocated assets							116,910
Total assets							206,046
Insurance operations' liabilities							
Reinsurers' balance payable	52,700	-	1,050	41	140	92	54,023
Unearned premium	118,485	1,485	1,777	102	234	481	122,564
Unearned reinsurance commission	-	-	174	11	26	25	236
Outstanding claims	9,193	508	719	79	579	57	11,135
Unallocated liabilities							18,089
Total liabilities							206,046

11. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share is calculated by dividing the net income / (loss) for the period by the weighted average number of issued and outstanding shares for the period.

12. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 9 Jumada Al-Awwal 1432 (corresponding to April 13, 2011).