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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

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ERNST & YOUNG

Deloitte & Touche
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI ARABIAN COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of audit:

We have audited the accompanying statement of financial position of Saudi Arabian Cooperative Insurance Company -A Saudi Joint Stock Company (the "Company") as at 31 December 2009 and the related statements of insurance operations for the period from 25 August 2009 to 31 December 2009, shareholders' comprehensive operations and changes in shareholders' equity for the year ended 31 December 2009, insurance operations cash flows for the period from 25 August 2009 to 31 December 2009 and shareholders' cash flows for the year ended 31 December 2009 and the notes 1 to 24 which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

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

i) present fairly, in all material respects, the financial position of the Company as at 31 December 2009 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and

ii) comply with the requirements of the Regulations for Companies and the Company's Bye-laws in so far as they affect the preparation and presentation of the financial statements.

Emphasis of a matter:

We draw attention to the following:

- These financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as approved by the Saudi Organisation for Certified Public Accountants.
- Note 2 to the accompanying financial statements in relation to the asset purchase agreement and transfer of insurance portfolio.

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17 February 2010

STATEMENTS OF FINANCIAL POSITION
At 31 December 2009

	Notes	***31 December 2009 SR***	***31 December 2008 SR***
INSURANCE OPERATIONS' ASSETS			
Property and equipment	8	**3,578,206**	-
Reinsurers' share of outstanding claims	9(a)	**172,616**	-
Reinsurers' share of unearned premiums	9 (b)	**21,114,590**	-
Deferred policy acquisition costs	9(d)	**5,465,916**	-
Premiums and insurance balances receivable	10	**30,995,914**	-
Prepayments and other assets	11	**5,344,340**	-
Due from agents	12	**27,854,286**	-
Due from a related party	12	**4,596,050**	-
Cash and cash equivalents	13	**20,522,957**	-
TOTAL INSURANCE OPERATIONS' ASSETS		**119,644,875**	-
SHAREHOLDERS' ASSETS			
Property and equipment	8	-	2,829,591
Statutory deposit	14	**10,000,000**	10,000,000
Due from insurance operations		**14,791,630**	-
Prepayments and other assets	11	**490,416**	357,524
Cash and cash equivalents	13	**58,641,360**	80,871,305
TOTAL SHAREHOLDERS' ASSETS		**83,923,406**	94,058,420
TOTAL ASSETS		**203,568,281**	94,058,420

The accompanying notes 1 to 24 form an integral part of these financial statements

STATEMENTS OF FINANCIAL POSITION (continued)
At 31 December 2009

	Notes	31 December 2009 SR	31 December 2008 SR
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	9(a)	**2,948,261**	-
Gross unearned premiums	9(b)	**56,588,932**	-
Unearned commission income	9(c)	**4,017,122**	-
Due to agents	12	**6,139,389**	-
Employees' end of service benefits		**557,957**	-
Reinsurance balances payable	15	**29,063,026**	-
Accrued expenses and other liabilities	16	**5,538,558**	-
Due to shareholders' operations		**14,791,630**	-
TOTAL INSURANCE OPERATIONS' LIABILITIES		**119,644,875**	-
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	17	**100,000,000**	100,000,000
Accumulated losses		**(18,458,230)**	(10,070,609)
TOTAL SHAREHOLDERS' EQUITY		**81,541,770**	89,929,391
SHAREHOLDERS' LIABILITIES			
Employees' end of service benefits		-	40,407
Zakat payable	18	**1,833,042**	2,755,934
Accounts payable		**548,594**	793,138
Due to a related party	12	-	539,550
TOTAL SHAREHOLDERS' LIABILITIES		**2,381,636**	4,129,029
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**83,923,406**	94,058,420
TOTAL INSURANCE OPERATIONS' LIABILITIES, SHAREHOLDERS' EQUITY AND LIABILITIES		**203,568,281**	94,058,420

The accompanying notes 1 to 24 form an integral part of these financial statements

STATEMENT OF INSURANCE OPERATIONS'
FOR THE PERIOD FROM 25 AUGUST 2009 TO 31 DECEMBER 2009

	Notes	*SR*
Gross premiums written		**73,607,053**
Reinsurance premium ceded		**(26,622,720)**
Excess of loss premiums		**(1,340,451)**
NET INSURANCE PREMIUMS WRITTEN		**45,643,882**
Movement in unearned premiums	9(b)	**(35,474,342)**
NET PREMIUMS EARNED		**10,169,540**
Net claims incurred	9(a)	**(3,343,201)**
Commission income	9(c)	**1,228,807**
Policy acquisition costs	9(d)	**(1,797,131)**
Inspection and supervision fees		**(303,078)**
NET UNDERWRITING SURPLUS		**5,954,937**
General and administration expenses	19	**(10,412,103)**
Other income		**1,179,650**
NET DEFICIT FROM INSURANCE OPERATIONS		**(3,277,516)**
Net deficit transferred to shareholders' operations		**3,277,516**
NET RESULT FOR THE PERIOD		**-**

The accompanying notes 1 to 24 form an integral part of these financial statements

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	*For the year ended 31 December 2009 SR*	*For the period from 5 August 2007 to 31 December2008 SR*
Net deficit transferred from insurance operations		**(3,277,516)**	-
EXPENSES			
General and administration	19	**(4,272,844)**	(5,805,973)
Pre-incorporation expenses, net		-	(4,048,948)
Initial public offering cost		-	(1,250,000)
OPERATING LOSS		**(7,550,360)**	(11,104,921)
Special commission income		**281,598**	3,790,246
LOSS BEFORE ZAKAT		**(7,268,762)**	(7,314,675)
Zakat		**(1,118,859)**	(2,755,934)
NET LOSS FOR THE YEAR / PERIOD		**(8,387,621)**	(10,070,609)
Loss per share for the year / period	23	**(0.84)**	(1.01)

The accompanying notes 1 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital SR	*Accumulated losses SR*	*Total SR*
Issue of share capital	100,000,000	-	100,000,000
Net loss for the period	-	(10,070,609)	(10,070,609)
Balance at 31 December 2008	100,000,000	(10,070,609)	89,929,391
Net loss for the year	**-**	**(8,387,621)**	**(8,387,621)**
Balance at 31 December 2009	**100,000,000**	**(18,458,230)**	**81,541,770**

The accompanying notes 1 to 24 form an integral part of these financial statements

STATEMENT OF INSURANCE OPERATIONS CASH FLOWS
FOR THE PERIOD FROM 25 AUGUST 2009 TO 31 DECEMBER 2009

	Note	*SR*
OPERATING ACTIVITIES		
Net result for the period		-
Adjustments for:		
Depreciation		**480,597**
Provision for doubtful receivables		**119,927**
Employees' end of service benefits, net		**517,550**
Income before changes in operating assets and liabilities:		**1,118,074**
Changes in operating assets and liabilities:		
Due from agents		**(27,854,286)**
Due from a related party		**(4,596,050)**
Deferred policy acquisition costs		**(5,465,916)**
Reinsurers' share of unearned premiums		**(21,114,590)**
Reinsurers' share of outstanding claims		**(172,616)**
Premiums and insurance balances receivable		**(31,115,841)**
Prepayments and other assets		**(5,344,340)**
Gross outstanding claims		**2,948,261**
Gross unearned premiums		**56,588,932**
Unearned commission income		**4,017,122**
Due to agents		**6,139,389**
Reinsurance balances payable		**29,063,026**
Accrued expenses and other liabilities		**5,538,558**
Net cash from operating activities		**9,749,723**
INVESTING ACTIVITIES		
Purchase of property and equipment		**(356,759)**
Net cash used in investing activities		**(356,759)**
FINANCING ACTIVITIES		
Due to shareholders' operations		**11,129,993**
Net cash from financing activities		**11,129,993**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	**20,522,957**
NON CASH TRANSACTIONS:		
Transfer of property and equipment from shareholders' operations		**(3,702,044)**
Transfer of employees' end of service benefits from shareholders' operations		**40,407**

The accompanying notes 1 to 24 form an integral part of these financial statements

STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	*For the year ended 31 December 2009* SR	*For period from 5 August 2007 to 31 December 2008* SR
OPERATING ACTIVITIES			
Loss before zakat		**(7,268,762)**	(7,314,675)
Adjustments for:			
Employees' end of service benefits, net		**-**	40,407
Depreciation		**704,366**	718,231
Loss before changes in operating assets and liabilities:		**(6,564,396)**	(6,556,037)
Changes in operating assets and liabilities:			
Statutory deposit		**-**	(10,000,000)
Prepayments and other assets		**(132,892)**	(357,524)
Accounts payable		**(244,544)**	793,138
Due to a related party		**(539,550)**	539,550
Cash used in operating activities		**(7,481,382)**	(15,580,873)
Zakat paid		**(2,041,751)**	-
Net cash used in operating activities		**(9,523,133)**	(15,580,873)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(1,576,819)**	(3,547,822)
Net cash used in investing activities		**(1,576,819)**	(3,547,822)
FINANCING ACTIVITIES			
Due from insurance operations		**(11,129,993)**	-
Issue of share capital		**-**	100,000,000
Net cash (used in) / from financing activities		**(11,129,993)**	100,000,000
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(22,229,945)**	80,871,305
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR / PERIOD		**80,871,305**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD	13	**58,641,360**	80,871,305
NON CASH TRANSACTIONS:			
Transfer of property and equipment to insurance operations		**3,702,044**	-
Transfer of employees' end of service benefits to insurance operations		**(40,407)**	-

The accompanying notes 1 to 24 form an integral part of these financial statements

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Arabian Cooperative Insurance Company (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010237214 dated 7 Shaban 1428H, corresponding to 20 August 2007. The registered office address of the Company is at P.O. Box 58073, Riyadh 11594, Kingdom of Saudi Arabia. The objective of the Company is to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. Its principal lines of business include all classes of general insurance. The Company was listed on the Saudi Stock Exchange (Tadawul) on 3 September 2007.

The Company commenced insurance operations on 4 Ramadan 1430H (corresponding to 25 August 2009). Accordingly, no comparative information is provided in the statement of insurance operations' and statement of insurance operations' cash flows.

2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

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

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

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

The Company intends to enter into an asset purchase agreement (the Agreement), pursuant to which it is expected to offer to purchase the insurance business and related net assets of Saudi Arabian Insurance Company B.S.C (C)'s operations in the Kingdom of Saudi Arabia (the Saudi operations) at a valuation to be approved by the Saudi Arabian Monetary Agency and agreed by the concerned parties. Saudi Arabian Insurance Company B.S.C (C), in accordance with its intention to sell the Saudi operations, submitted a provisional due diligence study (which consisted of a valuation of the operations in accordance with the related guidance issued by Saudi Arabian Monetary Agency) to the Saudi Arabian Monetary Agency during 2007, followed by a final due diligence study in March 2008. The result of the valuation has been issued by the Saudi Arabian Monetary Agency (SAMA) through its letter number 2887 dated 21 Rajab 1430H (corresponding to 14 July 2009).

The Company convened a general assembly meeting on 26 August 2009 and approved the purchase of the insurance portfolio and related net assets of the Saudi Arabian Insurance Company B.S.C (C) operations in the Kingdom of Saudi Arabia. The related assets and liabilities to be acquired will be determined and valued in accordance with the valuation program issued by SAMA in May 2007. The Company was planning to transfer the assets and liabilities with effect from 1 November 2009. The Company expects that these procedures will be completed during the first quarter of 2010 and the assets and liabilities will be transferred retroactively.

3 BASIS OF PREPARATION

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

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

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

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

4 CHANGES IN ACCOUNTING POLICIES

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

- IAS 1 (Revised) Presentation of Financial Statements
- Amendment to IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments, which supersedes IAS 14 Segment Reporting and requires disclosure of information about the Company's operating segments;

Adoption of these revised standards did not have any material effect on the financial performance or position of the Company. They did however give rise to additional disclosures.

5 NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for these financial statements

Improvements to IFRSs 2009 – various standards	effective date 1 January 2010
IAS 24 Related Party Disclosures (revised 2009)	effective date 1 January 2011
IFRS 9 Financial Instruments	effective date 1 January 2013

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

6 SIGNIFICANT ACCOUNTING POLICIES

Product classification
The Company issues insurance contracts that transfer insurance risk. Insurance contracts are those contracts where the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Any difference between the provisions at the end of reporting period and settlements and provisions in the following period is included in the underwriting account for that period.

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

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

Any difference between the provisions at the date of statement of financial position and settlements and provisions in the following year is included in the underwriting account for that year. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

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

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

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting

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

- The health care products provide medical cover to policyholders.
- Motor Insurance provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Fire provides coverage against fire, and any other insurance included under this class of insurance.
- General Accident provides coverage against accidental death to individual and group of persons under Personal Accident Insurance and insures the interest of employers under Fidelity Guarantee and affords cover for loss or damage under Plate Glass, Money and Bankers Blanket Bond Insurances.
- Shareholders' Funds is a non-operating segment. Income earned from time deposits is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations' is allocated to this segment on an appropriate basis.

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

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

Foreign currencies

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

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Offsetting

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

Fair values

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

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of operations. Impairment is determined as follows:

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

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods and services, whether billed by the supplier or not.

Statutory reserve

In accordance with its Articles of Association, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital. In view of the accumulated losses, no such transfer has been made for the year ended 31 December 2009.

7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and 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 ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported is an estimation of claims which are expected to be reported subsequent to the end of reporting period, for which the insured event has occurred prior to the end of reporting period.

Impairment losses on receivables

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

Deferred policy acquisition costs

Certain acquisition costs related to sale of new policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment.

8 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	3 years
Furniture and fittings	10 years
Computer and office equipment	3- 5 years

(a) Insurance operations'

	Leasehold improvements SR	*Furniture and fittings SR*	*Computer and office equipment SR*	*Total 2009 SR*	*Total 2008 SR*
Cost:					
Transfer from shareholders' operations	**1,861,647**	**1,441,990**	**1,821,004**	**5,124,641**	-
Additions	**950**	**20,000**	**335,809**	**356,759**	-
At the end of the period	**1,862,597**	**1,461,990**	**2,156,813**	**5,481,400**	-
Accumulated depreciation:					
Transfer from shareholders' operations	**866,207**	**280,899**	**275,491**	**1,422,597**	-
Charge for the period	**219,298**	**51,024**	**210,275**	**480,597**	-
At the end of the period	**1,085,505**	**331,923**	**485,766**	**1,903,194**	-
Net book value:					
At 31 December 2009	**777,092**	**1,130,067**	**1,671,047**	**3,578,206**	
At 31 December 2008	-	-	-		-

(b) Shareholders' operations

	Leasehold improvements SR	*Furniture and fittings SR*	*Computer and office equipment SR*	***Total 2009 SR***	*Total 2008 SR*
Cost:					
At the beginning of the year	**1,822,822**	**1,428,499**	**296,501**	**3,547,822**	-
Additions	**38,825**	**13,491**	**1,524,503**	**1,576,819**	3,547,822
Transfer to insurance operations	**(1,861,647)**	**(1,441,990)**	**(1,821,004)**	**(5,124,641)**	-
At the end of the year	-	-	-	-	3,547,822
Depreciation:					
At the beginning of the year	**467,628**	**187,863**	**62,740**	**718,231**	-
Charge for the year	**398,579**	**93,036**	**212,751**	**704,366**	718,231
Transfer to insurance operations	**(866,207)**	**(280,899)**	**(275,491)**	**(1,422,597)**	-
At the end of the year	-	-	-	-	718,231
Net book value:					
At 31 December 2009	-	-	-	-	
At 31 December 2008	1,355,194	1,240,636	233,761		2,829,591

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

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

(a) Outstanding claims

	2009			2008		
	Gross SR	*Reinsurers' share SR*	*Net SR*	*Gross SR*	*Reinsurers' share SR*	*Net SR*
Outstanding at end of the period	2,335,297	(172,616)	2,162,681	-	-	-
IBNR	612,964	-	612,964	-	-	-
	2,948,261	(172,616)	2,775,645	-	-	-
Insurance claims paid during the period	604,541	(36,985)	567,556	-	-	-
Claims incurred	3,552,802	(209,601)	3,343,201	-	-	-

(b) Unearned premiums

	2009			2008		
	Gross SR	*Reinsurers' share SR*	*Net SR*	*Gross SR*	*Reinsurers' share SR*	*Net SR*
Premiums received during the period	73,607,053	(26,622,720)	46,984,333	-	-	-
Premiums earned during the period	(17,018,121)	5,508,130	(11,509,991)	-	-	-
Unearned premiums as at 31 December 2009	56,588,932	(21,114,590)	35,474,342	-	-	-

(c) Unearned commission income

	2009 SR	*2008 SR*
Commission received during the period	5,245,929	-
Commission earned during the period	(1,228,807)	-
Balance as at 31 December	4,017,122	-

(d) Deferred policy acquisition costs

	2009 SR	*2008 SR*
Incurred during the period	7,263,047	-
Amortised during the period	(1,797,131)	-
Balance as at 31 December	5,465,916	-

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2009 *SR*	*2008* *SR*
Clients	**28,867,004**	
Provision for doubtful receivables	**(119,927)**	-
	28,747,077	-
Reinsurers and others	**2,248,837**	-
	30,995,914	-

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

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

			Past due but not impaired		
	Total *SR*	*Neither past due nor impaired* *SR*	*91 to 150 days* *SR*	*151 to 365 days* *SR*	*More than 365 days* *SR*
2009	**28,867,004**	**28,067,490**	**799,514**	-	-

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

11 PREPAYMENTS AND OTHER ASSETS

	2009		*2008*	
	Insurance Operations *SR*	*Shareholders Operations* *SR*	*Insurance Operations* *SR*	*Shareholders Operations* *SR*
Prepaid excess of loss expenses	**3,629,125**	-	-	-
Employee receivables	**1,251,253**	-	-	-
Accrued special commission income	-	**490,416**	-	218,077
Others	**463,962**	-	-	139,447
	5,344,340	**490,416**	-	357,524

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, key management personnel of the Company, and companies of which they are principal owners and other entities significantly influenced by them. Pricing policies and terms of these transactions are approved by the Company's management.

a) *Transactions with related parties*

The following are the details of major related party transactions during the year/period:

Related party	*Nature of transaction*	*For the year ended 31 December 2009 SR*	*For the period from 5 August 2007 to 31 December 2008 SR*
Saudi Arabian Insurance Company. B.S.C (C) (Shareholder)	- Property and equipment acquired on behalf of the Company	**1,440,793**	3,547,822
	- Reimbursement of expenses paid on behalf of the Company	**4,577,498**	4,559,403
	- Amounts received on behalf of SAICO BSC (C)	**26,450,000**	-
ACE Agents (affiliates)	- Premiums received on behalf of the company	**24,951,014**	-
	- Claims paid on behalf of the company	**299,256**	-
	- Commission expense	**5,080,255**	-

b) *Balances with related parties*

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

		31 December 2009 SR	*December 2008 SR*
Saudi Arabian Insurance Company B.S.C (C)	- Insurance operations	**4,596,050**	-
	- Shareholders' operations	**-**	(539,550)
ACE Agents	- Insurance operations, net	**21,714,897**	-
	- Shareholders' operations	**-**	-

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

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Compensation of key management personnel

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the year/period is as follows.

	For the year ended 31 December 2009 SR	*For the period from 5 August 2007 to 31 December 2008 SR*
Short-term benefits	**1,026,381**	1,067,408
Employees' end-of-service benefits	**293,989**	102,342
	1,320,370	1,169,750

13 CASH AND CASH EQUIVALENTS

	2009		*2008*	
	Insurance Operations' SR	***Shareholders' Operations SR***	*Insurance Operations' SR*	*Shareholders' Operations SR*
Time deposits	**-**	**58,289,461**	-	80,339,317
Cash at banks	**20,511,957**	**351,899**	-	531,988
Cash on hand	**11,000**	**-**	-	-
	20,522,957	**58,641,360**	-	80,871,305

Cash at banks and time deposits are placed with counterparties who have investment grade credit ratings. The time deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn commission at an effective commission rate of 0.41% (31 December 2008: 2.1%).

14 STATUTORY DEPOSIT

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

15 REINSURANCE BALANCES PAYABLE

	2009 SR	*2008 SR*
Premiums payable	**24,470,139**	-
Insurance underwriters	**4,592,887**	-
	29,063,026	-

16 ACCRUED EXPENSES AND OTHER LIABILITIES

	2009 *SR*	*2008* *SR*
Hospitals payable	**2,707,990**	-
Excess of loss expenses	**638,554**	-
Employees' benefits	**493,272**	-
Consulting fees	**492,187**	-
Council for cooperative health insurance fees	**303,082**	-
Others	**903,473**	-
	5,538,558	-

17 SHARE CAPITAL

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

18 ZAKAT

	For the year ended 31 December 2009 ***SR***	*For the period from 5 August 2007 to 31 December 2008* *SR*
Charge for the year / period		
The zakat charge consists of:		
Provision for current year/period	**1,833,042**	2,755,934
Adjustment for prior period	**(714,183)**	-
	1,118,859	2,755,934

The provision for the year/period is based on the following:

	2009 ***SR***	*For the period from 5 August 2007 to 31 December 2008* *SR*
Capital deposited in the bank before 31 December 2007	-	30,000,000
Shareholders' equity	**100,000,000**	100,000,000
Book value of long term assets and statutory deposit	**(13,578,206)**	(12,585,050)
	86,421,794	117,414,950
Adjusted loss for the year / period	**(16,814,316)**	(7,177,578)
Zakat base	**69,607,478**	110,237,372

18 ZAKAT (continued)

Movements in the provision during the year/period

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

	2009 *SR*	*2008* *SR*
At the beginning of the year / period	**2,755,934**	-
Provided during the year / period	**1,118,859**	2,755,934
Payments during the year / period	**(2,041,751)**	-
At the end of the year / period	**1,833,042**	2,755,934

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

Status of assessments

The Company has filed zakat declaration for the long period from 5 August 2007 to 31 December 2008 with the Department of Zakat and Income Tax (DZIT), however the assessment has not yet been raised.

19 GENERAL AND ADMINISTRATION EXPENSES

	2009		*2008*	
	Insurance Operations' SR	*Shareholders' Operations SR*	*Insurance Operations' SR*	*Shareholders' Operations SR*
Employees cost	**6,545,318**	**1,554,749**	-	710,917
Legal and professional fees	**1,284,433**	**465,586**	-	1,120,000
Depreciation (Note 8)	**480,597**	**704,366**	-	718,231
Office rent	**433,947**	**778,067**	-	1,701,417
SAMA fees	**350,409**	**-**	-	841,034
Computer implementation	**324,401**	**297,669**	-	-
Doubtful debt expense	**119,927**	**-**	-	-
Others	**873,071**	**472,407**	-	714,374
	10,412,103	**4,272,844**	-	5,805,973

20 SEGMENTAL INFORMATION

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

Segment results do not include general and administration expenses and other income.

Segment assets do not include insurance operations' property and equipment, prepayments and other assets, due from agents, due from a related party, premiums and insurance balances receivable and cash and cash equivalents. Accordingly they are included in unallocated assets.

Segment liabilities do not include insurance operations' unearned commission income, due to shareholders' operations, due to agents, employees' end of service benefits, reinsurance balances payable and accrued expense and other liabilities. Accordingly they are included in unallocated liabilities.

20 SEGMENTAL INFORMATION (continued)

Operating segments

	For the period from 25 August 2009 to 31 December 2009					
	Medical SR	*Motor* SR	*Fire* SR	*General accident* SR	*Others* SR	*Total* SR
Gross premiums written	30,308,197	15,785,119	13,857,068	5,070,791	8,585,878	73,607,053
Reinsurance premium ceded	(2,232,300)	(62,994)	(12,425,135)	(4,768,119)	(7,134,172)	(26,622,720)
Excess of loss premiums	(701,897)	(294,790)	(254,884)	-	(88,880)	(1,340,451)
Net insurance premiums written	27,374,000	15,427,335	1,177,049	302,672	1,362,826	45,643,882
Movement in unearned premiums	(21,244,658)	(11,973,292)	(1,096,145)	(171,409)	(988,838)	(35,474,342)
Net premiums earned	6,129,342	3,454,043	80,904	131,263	373,988	10,169,540
Net claims incurred	(2,427,120)	(891,567)	-	-	(24,514)	(3,343,201)
Commission income	-	1,449	391,107	71,882	764,369	1,228,807
Policy acquisition costs	(198,206)	(790,655)	(391,193)	(46,871)	(370,206)	(1,797,131)
Inspection and supervision fees	(303,078)	-	-	-	-	(303,078)
Net underwriting surplus	3,200,938	1,773,270	80,818	156,274	743,637	5,954,937
Unallocated expenses						(10,412,103)
Unallocated income						1,179,650
Net deficit from insurance operations						(3,277,516)

	31 December 2009					
	Medical SR	*Motor* SR	*Fire* SR	*General accident* SR	*Others* SR	*Total* SR
ASSETS						
Reinsurers' share of outstanding claims	-	-	-	-	172,616	172,616
Deferred policy acquisition costs	615,373	2,141,693	2,172,440	89,831	446,579	5,465,916
Reinsurers' share of unearned premiums	1,526,044	60,556	10,871,798	4,296,623	4,359,569	21,114,590
SEGMENT ASSETS	2,141,417	2,202,249	13,044,238	4,386,454	4,978,764	26,753,122
Unallocated assets						92,891,753
TOTAL ASSETS						119,644,875
LIABILITIES						
Gross outstanding claims	2,377,024	380,334	-	-	190,903	2,948,261
Gross unearned premiums	22,770,701	12,033,848	11,967,943	4,468,032	5,348,408	56,588,932
SEGMENT LIABILITIES	25,147,725	12,414,182	11,967,943	4,468,032	5,539,311	59,537,193
Unallocated liabilities						60,107,682
TOTAL LIABILITIES						119,644,875

21 RISK MANAGEMENT

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

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

Risk management structure
A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of directors
The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management
Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

a) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property and fire and accident, motor, medical and marine risks.

The Company issues short term insurance policies in connection with property and fire and accident, motor, medical and marine risks and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate insurance risk. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property and fire and accident, motor, medical and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

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

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

21 RISK MANAGEMENT (continued)

a) Insurance risk (continued)

Medical
The Company' underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim.

Property, Fire and Accident
For property insurance contracts the main risks are fire and business interruption. The Company only underwrites policies for properties containing fire detection equipment.

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

General accident
For general accident contracts, the various insurance covers provided by the Company can be broadly classified under Personal Accident (excluding illness), Fidelity Guarantee, Plate Class Insurance, Cash in Transit, Cash in Premises, Cash in Safe (including prepaid telephone cards and jewellery in safe), All Risks Insurance, Bankers' Blanket Bonds, etc. These insurances afford protection for business enterprises towards loss or damage to person, property and interest giving cover per collusion accumulation as well. The Company has reinsurance cover for such damage to limit losses for any individual claim.

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

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

b) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

c) Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its cash and cash equivalents. The sensitivity of the income is the effect of assumed changes in special commission rates, with all other variables held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2009. A hypothetical 10 basis points change in the weighted average special commission rates of the floating rate financial assets balances at 31 December 2009 would impact special commission income by approximately SR 58,289 (2008:80,339) annually in aggregate.

21 RISK MANAGEMENT (continued)

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company' exposure to credit risk:

- To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. Accordingly, as a pre-requisite, the parties with whom reinsurance is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the bank with whom Cash and cash equivalents are maintained is required to have a minimum acceptable security rating level affirming its financial strength.

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

	31 December 2009		*31 December 2008*	
	Insurance operations	***Shareholders' operations***	*Insurance operations*	*Shareholders' operations*
Assets				
Cash and cash equivalents	**20,522,957**	**58,641,360**	-	80,971,305
Statutory deposit	-	**10,000,000**	-	10,000,000
Due from agents	**27,854,286**	-	-	-
Due from a related party	**4,596,050**	-	-	-
Reinsurers' share of outstanding claims	**172,616**	-	-	-
Premiums and insurance balances receivable	**30,995,914**	-	-	-
	84,141,823	**68,641,360**	-	90,971,305

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

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

21 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2009					
	Insurance operations			*Shareholders' operations*		
	Less than one year SR	*No term SR*	*Total SR*	*Less than one year SR*	*No term SR*	*Total SR*
ASSETS						
Property and equipment	-	3,578,206	3,578,206	-	-	-
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Reinsurers' share of outstanding claims	172,616	-	172,616	-	-	-
Deferred policy acquisition costs	5,465,916	-	5,465,916	-	-	-
Reinsurers' share of unearned premiums	21,114,590	-	21,114,590	-	-	-
Premiums and insurance balances receivable	30,995,914	-	30,995,914	-	-	-
Due from insurance operations	-	-	-	14,791,630	-	14,791,630
Prepayments and other assets	5,344,340		5,344,340	490,416	-	490,416
Due from agents	27,854,286	-	27,854,286	-	-	-
Due from a related party	4,596,050	-	4,596,050	-	-	-
Cash and cash equivalents	20,522,957	-	20,522,957	58,641,360	-	58,641,360
TOTAL ASSETS	116,066,669	3,578,206	119,644,875	73,923,406	10,000,000	83,923,406

	31 December 2009					
	Insurance operations			*Shareholders' operations*		
	Less than one year SR	*No term SR*	*Total SR*	*Less than one year SR*	*No term SR*	*Total SR*
LIABILITIES						
Gross outstanding claims	2,948,261	-	2,948,261	-	-	-
Gross unearned premiums	56,588,932	-	56,588,932	-	-	-
Unearned commission income	4,017,122	-	4,017,122	-	-	-
Due to agents	6,139,389	-	6,139,389	-	-	-
Employees' end of service benefits	-	557,957	557,957	-	-	-
Reinsurance balances payable	29,063,026	-	29,063,026	-	-	-
Zakat payable	-	-	-	1,833,042		1,833,042
Accounts payable	-	-	-	548,594		548,594
Accrued expenses and other liabilities	5,538,558	-	5,538,558	-	-	-
Due to shareholders' operations	14,791,630	-	14,791,630	-	-	-
TOTAL LIABILITIES	119,086,918	557,957	119,644,875	2,381,636	-	2,381,636

21 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2008					
	Insurance operations			*Shareholders' operations*		
	Less than one year	*No term*	*Total*	*Less than one year*	*No term*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
ASSETS						
Property and equipment	-	-	-	-	2,829,591	2,829,591
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Prepayments and other assets	-		-	357,524	-	357,524
Cash and cash equivalents	-	-	-	80,871,305	-	80,871,305
Total Assets	-	-	-	81,228,829	12,829,591	94,058,420

	31 December 2008					
	Insurance operations			*Shareholders' operations*		
	Less than one year	*No term*	*Total*	*Less than one year*	*No term*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
LIABILITIES						
Employees' end of service benefits	-	-	-	-	40,407	40,407
Zakat payable	-	-	-	2,755,934		2,755,934
Accounts payable	-	-	-	793,138		793,138
Due to a related party	-	-	-	539,550	-	539,550
Total Liabilities	-	-	-	4,088,622	40,407	4,129,029

Liquidity profile
None of the liabilities on the statement of financial position are based on discounted cash flows and are payable on a current basis within 1 year.

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.

g) Capital management

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

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

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

21 RISK MANAGEMENT (continued)

h) Regulatory framework risk

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

i) Fair values of financial instruments

Financial instruments consist of financial assets and financial liabilities.

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

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

22 CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

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

b) Operating lease commitments

The minimum future lease payments for the use of the Company's premises total SR 1,201,000 payable during 2010 (2008: 1,201,000 payable during 2009).

23 LOSS PER SHARE FOR THE YEAR / PERIOD

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

24 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 3 Rabi Awwal 1431H corresponding to 17 February 2010.