ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALLIANZ SAUDI FRANSI COOPERATIVE INSURANCE COMPANY – A SAUDI JOINT STOCK COMPANY

Scope of Audit

We have audited the accompanying statements of financial position of Allianz Saudi Fransi Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2012, and the related statements of income of insurance and shareholders' operations and comprehensive income of shareholders' operations, and related statements of changes in shareholders' equity and cash flows of insurance and shareholders' operations for the year then ended and notes 1 to 34 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 the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on financial statements.

Unqualified opinion:

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

- present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- comply with the requirements of the Regulation for Companies and the Company's bye-laws with respect to the preparation and presentation of the financial statements.

Emphasis of a matter

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

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8 Rabia II 1434H
18 February 2013

STATEMENT OF FINANCIAL POSITION

	Note	*As at 31 December 2012 SR*	*As at 31 December 2011 SR*
INSURANCE OPERATIONS' ASSETS			
Office equipment and furniture	*6*	3,795,087	4,323,829
Reinsurers' share of outstanding claims	*7*	96,951,123	83,230,450
Reinsurers' share of unearned premiums	*17*	85,464,353	125,258,097
Deferred policy acquisition costs	*8*	12,328,124	14,221,856
Due from shareholders' operations		-	3,847,909
Unit linked investments	*9*	533,238,604	471,146,684
Available for sale investments	*14*	29,881,185	-
Premiums receivable, net	*11*	128,717,315	126,937,494
Reinsurance balances receivable		23,900,534	18,116,160
Prepayments and other assets	*10*	2,070,710	2,060,725
Cash and cash equivalents	*12*	32,987,354	61,900,990
TOTAL INSURANCE OPERATIONS' ASSETS		**949,334,389**	**911,044,194**
SHAREHOLDERS' ASSETS			
Statutory deposit	*13*	20,076,025	20,076,025
Available for sale investments	*14*	145,447,419	130,238,596
Due from insurance operations		1,686,645	-
Prepayments and other assets	*10*	3,857,360	797,934
Cash and cash equivalents	*12*	341,510	12,670,275
TOTAL SHAREHOLDERS' ASSETS		**171,408,959**	**163,782,830**
TOTAL SHAREHOLDERS AND INSURANCE OPERATIONS' ASSETS		**1,120,743,348**	**1,074,827,024**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

STATEMENT OF FINANCIAL POSITION

	Note	*As at 31 December 2012 SR*	*As at 31 December 2011 SR*
INSURANCE OPERATIONS' LIABILITIES			
Employees' end of service benefits	*16*	6,589,383	6,029,510
Unearned premiums	*17*	151,699,129	191,658,673
Mathematical reserve	*18*	534,437,849	472,596,932
Outstanding claims	*7*	146,860,735	130,437,755
Unearned commission income	*19*	13,340,083	15,096,686
Due to shareholders operations		1,686,645	-
Reinsurance balances payable		82,367,514	70,306,255
Accrued expenses and other liabilities	*20*	11,791,166	24,918,383
TOTAL INSURANCE OPERATIONS' LIABILITIES		**948,772,504**	**911,044,194**
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus distribution		614,950	-
Unrealized loss on available for sale investments	*14*	(53,065)	-
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		**949,334,389**	**911,044,194**
SHAREHOLDERS' LIABILITIES AND EQUITY			
Due to insurance operations		-	3,847,909
Accrued expenses and other liabilities	*20*	91,625	116,025
Zakat and tax payable	*22*	4,420,173	1,824,453
TOTAL SHAREHOLDERS' LIABILITIES		**4,511,798**	**5,788,387**
SHAREHOLDERS' EQUITY			
Share capital	*23*	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Accumulated losses		(58,382,671)	(65,642,250)
Unrealized gain on available for sale investments	*14*	2,568,517	925,378
TOTAL SHAREHOLDERS' EQUITY		**166,897,161**	**157,994,443**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**171,408,959**	**163,782,830**
TOTAL INSURANCE OPERATIONS LIABILITIES,SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		**1,120,743,348**	**1,074,827,024**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

STATEMENT OF INCOME OF INSURANCE OPERATIONS

	Note	***For the year ended 31 December2012 SR***	***For the year ended 31 December 2011 SR***
Gross written premiums	*26*	621,232,018	683,690,693
Reinsurance premiums ceded	*26*	(268,916,371)	(325,068,662)
Net written premiums		**352,315,647**	**358,622,031**
Changes in unearned premiums	*26*	33,868,705	(13,884,853)
Changes in reinsurance share of unearned premiums		(34,433,992)	9,933,574
Net change in unearned premiums		**(565,287)**	**(3,951,279)**
Net premiums earned	*26*	**351,750,360**	**354,670,752**
Commission earned during the year	*19*	30,818,622	26,154,130
Unrealized gain on unit linked investments		7,427,732	822,017
Other income		1,122,069	1,189,098
Total revenues		**391,118,783**	**382,835,997**
Gross claims paid	*7*	(357,797,571)	(374,134,970)
Reinsurance share of claims paid	*7*	151,923,563	167,495,000
Net claims paid		**(205,874,008)**	**(206,639,970)**
Changes in gross outstanding claims		(16,422,980)	(50,072,686)
Changes in reinsurance share of outstanding claims		13,720,673	35,299,567
Net outstanding claims		**(2,702,307)**	**(14,773,119)**
Net claims incurred		**(208,576,315)**	**(221,413,089)**
Change in mathematical reserves and surplus	*18*	(61,840,917)	(46,295,007)
Commission expenses	*8*	(39,689,326)	(39,991,185)
Inspection and supervision fees		(3,106,160)	(3,418,453)
General and administrative expenses	*27*	(71,756,561)	(72,117,694)
Total claims and expenses		**(384,969,279)**	**(383,235,428)**
Net surplus/(deficit) for the year		**6,149,504**	**(399,431)**
Net (surplus)/deficit transferred to statement of shareholders' operations	*3*	**(5,534,554)**	**399,431**
Net insurance operations surplus after shareholders' appropriation for the year		**614,950**	**-**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

STATEMENT OF INCOME OF SHAREHOLDERS' OPERATIONS

	Note	***For the year ended 31 December 2012 SR***	***For the year ended 31 December 2011 SR***
Special commission income		4,486,724	2,247,285
Realised gain on sale of available for sale investments		946,187	-
Total revenues		**5,432,911**	**2,247,285**
Net surplus/(deficit) transferred from statement of insurance operations		5,534,554	(399,431)
General and administrative expenses	*27*	(687,616)	(291,217)
Net income for the year		**10,279,849**	**1,556,637**
Basic and diluted earnings per share	*29*	**0.51**	**0.08**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

STATEMENT OF COMPREHENSIVE INCOME OF SHAREHOLDERS' OPERATIONS

	For the year ended 31 December 2012	*For the year ended 31 December 2011*
	SR	***SR***
Net income for the year	**10,279,849**	**1,556,637**
Provision for zakat and tax (note 22)	(3,020,270)	(1,911,753)
Fair value change in available for sale investments	2,589,326	(20,437)
Transferred to statement of income on sale of available for sale investments	(946,187)	-
Total comprehensive income/(loss) for the year	**8,902,718**	**(375,553)**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital SR	*Share premium SR*	*Accumulated losses SR*	*Unrealized gain / (loss) on available for sale investments SR*	*Total SR*
Balance as at 1 January 2011	200,000,000	22,711,315	(65,287,134)	945,815	158,369,996
Income for the year	-	-	1,556,637	-	1,556,637
Other comprehensive income:					
- Provision for zakat & tax	-	-	(1,911,753)	-	(1,911,753)
- Fair value change in available for sale investment	-	-	-	(20,437)	(20,437)
Total comprehensive loss for the year					(375,553)
Balance as at 31 December 2011	**200,000,000**	**22,711,315**	**(65,642,250)**	**925,378**	**157,994,443**
Balance as at 1 January 2012	200,000,000	22,711,315	(65,642,250)	925,378	157,994,443
Income for the year	-	-	10,279,849	-	10,279,849
Other comprehensive income:					
- Provision for zakat & tax	-	-	(3,020,270)	-	(3,020,270)
- Fair value change in available for sale investment	-	-	-	2,589,326	2,589,326
- Transferred to statement of income-shareholders operations	-	-	-	(946,187)	(946,187)
Total comprehensive income for the year					**8,902,718**
Balance as at 31 December 2012	**200,000,000**	**22,711,315**	**(58,382,671)**	**2,568,517**	**166,897,161**

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

Allianz Saudi Fransi Cooperative Insurance Company (A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS OF INSURANCE OPERATIONS'

	Note	*For the year ended 31 December 2012 SR*	*For the year ended 31 December 2011 SR*
OPERATING ACTIVITIES			
Insurance operations surplus after shareholders' appropriation for the year		**614,950**	-
Adjustments to reconcile net surplus/deficit to net cash from operating activities:			
Appropriation of surplus/(deficit) to shareholders' operations		5,534,554	(399,431)
Depreciation	6	1,614,034	1,724,299
Employees' end of service benefits		1,283,486	1,776,437
Gain on disposal of office equipment and furniture		(138,400)	-
Unrealized gain on unit linked investments		(7,427,732)	(822,017)
		1,480,892	**2,279,288**
Changes in operating assets and liabilities:			
Deferred policy acquisition costs		1,893,732	(1,504,921)
Premiums receivable, net		(1,654,421)	10,258,265
Prepayments and others assets		(9,985)	514,938
Employees' end of service benefits paid		(723,613)	-
Unearned premiums, net		(165,800)	3,951,279
Mathematical reserve		61,840,917	46,295,008
Unit linked investments		(54,664,188)	(44,834,682)
Outstanding claims, net		2,702,307	14,773,118
Unearned commission income		(1,756,603)	4,059,055
Reinsurance balances payable, net		6,276,885	6,738,346
Accrued expenses and other liabilities		(13,127,217)	17,095,319
Net cash from operating activities		**2,092,906**	**59,625,013**
INVESTING ACTIVITIES			
Purchase of office equipment and furniture	6	(1,085,292)	(379,696)
Sale of office equipment and furniture		13,000	-
Purchases of available for sale investments	14	(29,934,250)	-
Net cash used in investing activities		**(31,006,542)**	**(379,696)**
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(28,913,636)**	**59,245,317**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**61,900,990**	**2,655,673**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**32,987,354**	**61,900,990**
Non-cash supplemental information:			
Net changes in fair value of available for sale investments		(53,065)	-

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

STATEMENT OF CASH FLOWS OF SHAREHOLDERS' OPERATIONS

	Note	*For the year ended 31 December 2012 SR*	*For the year ended 31 December 2011 SR*
OPERATING ACTIVITIES			
Net income for the year		**10,279,849**	**1,556,637**
Adjustments to reconcile net income to net cash from operating activities:			
Appropriation of (surplus)/deficit from insurance operations		(5,534,554)	399,431
Realized gain on available for sale investments		(946,187)	-
		3,799,108	**1,956,068**
Changes in operating assets and liabilities:			
Prepayments and other assets		(3,059,426)	346,310
Accrued expenses and other liabilities		(24,400)	(1,301)
Cash from operations		**715,282**	**2,301,077**
Zakat and tax paid during the year	*22(c)*	(424,550)	(230,722)
Net cash from operating activities		**290,732**	**2,070,355**
INVESTING ACTIVITIES			
Purchases of available for sale investments	*14*	(83,523,310)	(29,042,127)
Sale of available for sale investments	*14*	70,903,813	-
Net cash used in investing activities		**(12,619,497)**	**(29,042,127)**
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(12,328,765)**	**(26,971,772)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**12,670,275**	**39,642,047**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*12*	**341,510**	**12,670,275**
Non-cash supplemental information:			
Net changes in fair value of available for sale investments		2,589,326	(20,437)

The accompanying notes 1 to 34 form part of these financial statements.

Antoine Issa	Abdulrahman Jawa	Abdullah Mansury
Chief Executive Officer	BOD Member	Senior Finance Manager

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Allianz Saudi Fransi Cooperative Insurance Company ('the Company') is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company operates through its 5 branches (2011: 7) in the Kingdom of Saudi Arabia.The registered office of the Company is located at Al Safwa Commercial Building, P O Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

The objectives of the Company are to transact cooperative insurance operations and related activities in the Kingdom of Saudi Arabia. The Company was listed on the Saudi stock exchange on 9 Rajab 1428H, corresponding to 23 July 2007.

During 2009, the Company resolved to change its name from 'Saudi Fransi Cooperative Insurance Company' to 'Allianz Saudi Fransi Cooperative Insurance Company'. On 8 October 2010, the shareholders in the extra-ordinary general assembly meeting approved the change in the name and a new commercial register was issued on 1 September 2010.

2 COMMERCIAL OPERATIONS

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

Following the completion of the public offering on 26 March 2007, an application was submitted to His Excellency the Minister of Commerce and Industry (MOCI) in the Kingdom of Saudi Arabia, requesting the announcement of the incorporation of the Company. On 8 Jumada Thani 1428H corresponding to 24 June 2007, MOCI issued a resolution declaring the incorporation of the Company.

During March 2008, SAMA granted the Company an authorisation to commence operations as soon as product approval and related formalities were completed. The Company renewed its operating license on 30 Safar 1432H corresponding to 3 February 2011.

3 BASIS OF PREPARATION

Basis of measurement
The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and liabilities held at Fair Value through Income Statement (FVIS) and available for sale investment.

Statement of compliance
The Company has prepared these financial statements in accordance with International Financial Reporting Standards (IFRS).

Basis of presentation
The Company's Articles of Association require that separate accounts be maintained for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.
In accordance with the Saudi Arabian Insurance Regulations, the Company is required to distribute 10% of net annual surplus from insurance operations to policy holder operations and remaining 90% of the surplus to be transferred to the shareholders' operation and losses to be borne by shareholders.

Functional and presentational currency
The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statement values are presented in Saudi Riyals, unless otherwise indicated.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the financial statements of the Company.

IFRS 7 Financial Instruments: Disclosures (amendment)

The IASB issued an amendment to IFRS 7 on 7 October 2010. The amendment provides enhanced disclosures for 'transferred financial assets that are derecognised in their entirety 'and transferred assets that are not derecognised in their entirety. The effective date is for annual periods beginning on or after 1 July 2011.

Other amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Company.

The significant accounting policies adopted are as follows:

Office equipment and furniture
Office equipment and furniture are stated at cost net of accumulated depreciation and any impairment in value. The cost of office equipment and furniture is depreciated and amortised on the straight-line method over the estimated useful lives of the assets as follows:

- Computer and office equipment	4 years
- Motor vehicles	4 years
- Furniture and fittings	7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Insurance contracts
Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of 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 remaining of its lifetime, even if the insurance risk reduces significantly during this period.

Insurance contracts with discretionary participation feature (DPF)
Insurance contracts have discretionary participation features (DPF). DPF are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the
  - performance of a specified pool of contracts or a specified type of contract
  - the profit or loss of the insurance operation.

The Company classifies the discretionary element of a contract with a DPF as a liability.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in statement of insurance operations. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.
Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Investments
All investments, excluding those held at fair value through profit and loss, are initially recognized at fair value including the transaction cost associated with the investment. Investment carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of income.

Following initial recognition of the various classes of investment securities, the subsequent period end reporting values are determined on the basis as set out in the following paragraphs:

i. Investment at fair value through income statement
Investments held to cover unit-linked liabilities represents investment associated with certain contracts, for which investment risk lies predominantly with the contract holder. These represent investment in units of mutual funds, which are readily marketable. Investment linked insurance contracts appearing in statement of insurance operations' financial position, are financial assets classified at fair value through income statement (FVIS). After initial recognition, such investment is measured at fair value and change in the fair value is recognized in the Statement of Insurance Operations together with the changes in the mathematical reserve for investment linked insurance contracts.

ii. Held to maturity
Investments which have fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold till maturity, are classified as held to maturity. Held to maturity investments are subsequently measured at amortized cost using the effective interest method, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of shareholders' operations when the investment is derecognized or any loss when the investment is impaired.

iii. Available for sale
Available-for-sale investments are those equity and debt securities which are neither classified as Held For Trading nor designated as FVIS, that are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices. Unrealised gains or losses arising from changes in fair value of investments are shown either in statement of comprehensive income of shareholdr's operations or as a separate component in the insurance operations' surplus. Realized gains or losses on sale of these investments and commission income are reported in the related statements of insurance operations or shareholder's operations. Any permanent decline in value of investments is adjusted for and reported in the related statement of income -insurance operations or shareholders operations, as impairment charges.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Premiums receivable
Premiums receivable are recognized when the policies are issued. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, bank current accounts and time deposits with an original maturity of three months or less at the date of original acquisition.

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

Liability adequacy test
At each financial position date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and an unexpired risk provision created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Employee end of service benefits
Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the term and conditions of Saudi labour regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled should the employee leave at the 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 the conditions stated in the laws of Kingdom of Saudi Arabia.

Revenue recognition
Premiums and commissions are taken into income over the terms of the policies to which they relate on a pro-rata basis. The change in the provision for unearned premiums and commission is taken to the "Statement of Insurance Operations", over the period of risk.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro-rata basis, except for marine cargo. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The unearned portion for marine cargo shall be the premium written during the last three months of the financial year.

Fees income on insurance contracts
Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over future periods.

Investment income - Available for sale investments
Investment income on investments is recognised on a time proportion basis whereas the gain/loss on sale of available for sale investments is recognised in the related statement of shareholders operations or insurance operations.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend income
Dividend income is recognized when the right to receive payment is established.

Reinsurance premiums
Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the year and are recognized from the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Claims
Claims, comprising amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of insurance operations as incurred. Total outstanding claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.
The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following period is included in the underwriting account for that period.

Deferred policy acquisition costs (DPAC)
Commissions and other costs directly related to the acquisition and renewal 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 straight-line basis based on the term of expected future premiums. Amortization 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 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 value, an impairment loss is recognized in the statement of insurance operations. DPAC is also considered in the liability adequacy test for each reporting period.
Mathematical reserve
The mathematical reserve is calculated on the basis of a prudent prospective external actuarial valuation method through the use of current unit fund prices.

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

Zakat and income tax
Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. Zakat is computed on the zakatable base of Saudi founding and general public shareholders' share while income tax is computed on the non-Saudi founding shareholders' share of net adjusted income. Zakat and income tax, which are the liabilities of the shareholders, are accrued and charged to the other comprehensive income.

Cash-settled share-based payment
For cash-settled share-based payments, the Company measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in statement of insurance operations.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. 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 chief executive officer that makes strategic decisions. The Company is organized into business units based on their products and services and has six reportable operating segments as follows:

- Motor insurance provides coverage against loss or damage to the motor vehicles caused by accident, fire or theft along with the coverage of third party liability as well;
- Engineering insurance provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance;
- Health care products provide medical cover to policyholders;
- Property Insurance provides cover against accidental physical loss or damage to the property due to any cause including fire and allied perils and consequential losses associated with the perils insured.
- Other general insurance segment comprises of marine, credit, fidelity guarantee insurance and liability.
- Protection and saving segment includes a variety of savings products designed to meet the needs of individuals as well as corporate institutions.

If any transaction 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 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 business segment only.

Foreign currencies

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

Fair values

The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting 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, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar assets.

Impairment and uncollectibility of financial assets

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

i. For assets carried at fair value, impairment loss is based on the decline in fair value.
ii. 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
iii. For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 liability simultaneously. Income and expense is not offset in the statement of shareholders' operations and insurance operations unless required or permitted by any accounting standard or interpretation

Trade date accounting

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

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

Impairment of investments
The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (if any).

Technical reserve for insurance activities
The estimation of the ultimate liability arising from claims made under general and protection & saving insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims net of reinsurance share which are expected to be reported subsequent to the statement of financial position date, for which the insured event has occurred prior to the financial position date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. The mathematical reserve for protection & saving insurance contracts is calculated on the basis of management assumptions that include prudent prospective external actuarial valuation method and current unit fund prices.

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

Fair values of financial instruments
Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

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

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

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

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

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

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

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.

Deferred policy acquisition cost

Certain acquisition cost related to sale of new policies are recorded as deferred acquisition cost and are amortised overt 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.

6 OFFICE EQUIPMENT AND FURNITURE

	Computer and office equipment SR	*Motor Vehicles SR*	*Furniture and fittings SR*	*Total 2012 SR*
Cost:				
At the beginning of the year	7,662,034	891,097	5,453,375	14,006,506
Additions during the year	616,292	407,000	62,000	1,085,292
Disposals for the year	-	(345,500)	-	(345,500)
Balance the end of the year	**8,278,326**	**952,597**	**5,515,375**	**14,746,298**
Accumulated depreciation:				
At the beginning of the year	6,517,009	772,117	2,393,551	9,682,677
Charge for the year	730,498	93,978	789,558	1,614,034
Depreciation on disposals	-	(345,500)	-	(345,500)
Balance at the end of the year	**7,247,507**	**520,595**	**3,183,109**	**10,951,211**
Net book value at 31 December 2012	**1,030,819**	**432,002**	**2,332,266**	**3,795,087**

	Computer and office equipment SR	*Motor Vehicles SR*	*Furniture and fittings SR*	*Total 2011 SR*
Cost:				
At the beginning of the year	7,366,236	891,097	5,369,477	13,626,810
Additions during the year	295,798	-	83,898	379,696
Balance the end of the year	7,662,034	891,097	5,453,375	14,006,506
Accumulated depreciation:				
At the beginning of the year	5,255,800	598,440	2,104,138	7,958,378
Charge for the year	1,261,209	173,677	289,413	1,724,299
Balance at the end of the year	6,517,009	772,117	2,393,551	9,682,677
Net book value at 31 December 2011	1,145,025	118,980	3,059,824	4,323,829

7 OUTSTANDING CLAIMS

	As at 31 December 2012 (SR)		
	Gross	***Reinsurance share***	***Net***
General insurance	136,762,068	(90,740,098)	**46,021,970**
Protection and Saving insurance	10,098,667	(6,211,025)	**3,887,642**
Total insurance outstanding claims	**146,860,735**	**(96,951,123)**	**49,909,612**

	As at 31 December 2011(SR)		
	Gross	*Reinsurance share*	*Net*
General insurance	123,850,089	(78,885,314)	44,964,775
Protection and Saving insurance	6,587,666	(4,345,136)	2,242,530
Total insurance outstanding claims	130,437,755	(83,230,450)	47,207,305

Movement schedule in respect of outstanding claims is as follows:

	2012 SR			2011 SR		
	Gross	**Reinsurance share**	**Net**	Gross	Reinsurance share	Net
Opening						
Reported claims	113,414,034	(83,230,450)	**30,183,584**	70,225,232	(47,930,883)	22,294,349
IBNR	17,023,721	-	**17,023,721**	10,139,838	-	10,139,838
	130,437,755	(83,230,450)	**47,207,305**	80,365,070	(47,930,883)	32,434,187
Provided during the year	374,220,551	(165,644,236)	**208,576,315**	424,207,656	(202,794,567)	221,413,089
Paid during the year	(357,797,571)	151,923,563	**(205,874,008)**	(374,134,971)	167,495,000	(206,639,971)
	146,860,735	(96,951,123)	**49,909,612**	130,437,755	(83,230,450)	47,207,305
As at December 31						
Reported Claims	133,350,692	(96,951,123)	**36,399,569**	113,414,034	(83,230,450)	30,183,584
IBNR	13,510,043	-	**13,510,043**	17,023,721	-	17,023,721
	146,860,735	**(96,951,123)**	49,909,612	130,437,755	(83,230,450)	47,207,305

8 DEFERRED POLICY ACQUISITION COSTS

	2012 *SR*	*2011* *SR*
Balance at the beginning of the year	14,221,856	12,716,935
Incurred during the year	37,795,594	41,496,106
Amortisation for the year	(39,689,326)	(39,991,185)
Balance at the end of the year	**12,328,124**	14,221,856

9 UNIT LINKED INVESTMENTS

The below investment represents, "Fair Value through Income Statement" (FVIS) investment, for unit-linked contracts as at 31 December 2012 and 31 December 2011:

	2012 *SR*	*2011* *SR*
Local currency funds	**520,015,719**	458,389,836
Foreign currency funds	**13,222,885**	12,756,848
	533,238,604	471,146,684

Market values of funds and portfolios are as follows:

	As at 31 December 2012 *SR*	*As at 31 December 2011* *SR*
Al Badr Fund Saudi Riyal	141,419,253	106,707,607
Al Saffa Equity Fund	20,389,174	13,307,324
Al Danah GCC Equity Fund	2,861,806	2,161,041
AL Badr Fund US Dollar	5,932,191	6,049,267
Al Naqaa Asia Growth Fund US Dollar	2,118,435	2,085,530
Al Fursan Equity Fund US Dollar	5,172,260	4,622,051
Money Market Fund Saudi Riyal	2,888,472	1,831,996
Saudi Istithmar Fund	2,099,599	1,337,418
Al Ghad/Al Anjal low risk	287,516,690	63,720,569
Al Ghad/Al Anjal Murabaha	62,840,724	269,323,881
	533,238,604	471,146,684

The Company uses Level 1 hierarchy for determining and disclosing the fair value of financial instruments which is the quoted price in active markets for the same instrument without modification or repacking.

10 PREPAYMENTS AND OTHER ASSETS

	2012 SR		2011 SR	
	Insurance operations	***Shareholders' operations***	*Insurance operations*	*Shareholders' operations*
Prepaid rent	1,447,502	-	1,430,010	-
Deferred incentive plan costs (note 24)	345,001	-	429,692	-
Advances to employees	-	-	4,620	-
Accrued investment income	5,264	3,857,360	-	796,774
Other assets	272,943	-	196,403	1,160
	2,070,710	**3,857,360**	**2,060,725**	**797,934**

11 PREMIUMS RECEIVABLE, NET

The ageing analysis of premiums receivable balances is set out below.

2012			***Past due not impaired***	***Past due and impaired***	
Amount in SR	**Total**	**Neither past due nor impaired**	**Up to 90 days**	**Less than 180 days**	**More than 180 days**
Premiums receivable	159,199,776	-	67,712,687	34,574,483	56,912,606
Provision for doubtful debts	(30,482,461)	-	-	(5,186,172)	(25,296,289)
Premiums receivable, net	**128,717,315**	-	**67,712,687**	**29,388,311**	**31,616,317**

2011			*Past due not impaired*	*Past due and impaired*	
Amount in SR	Total	Neither past due nor impaired	Up to 90 days	Less than 180 days	More than 180 days
Premiums receivable	157,049,770	-	60,120,569	54,207,198	42,722,003
Provision for doubtful debts	(30,112,276)	-	-	(8,245,802)	(21,866,474)
Premiums receivable, net	126,937,494	-	60,120,569	45,961,396	20,855,529

The Company classifies balances as 'past due and impaired' on the basis of the guidelines given by SAMA. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances are therefore unsecured.

Movement schedule in respect of allowance for doubtful debts is as follows:

	2012 SR	*2011 SR*
Balance at the beginning of the year	30,112,276	26,626,252
Provided for the year	5,887,607	3,486,024
Premium receivable written off during the year	(5,517,422)	-
Balance at the end of the year	**30,482,461**	**30,112,276**

12 CASH AND CASH EQUIVALENTS

	2012 *SR*	*2011* *SR*
Insurance operations:		
Cash in hand	127,144	142,123
Cash at bank	32,860,210	61,758,867
	32,987,354	61,900,990
Shareholders' operations:		
Cash at bank	341,510	12,670,275
	341,510	12,670,275

13 STATUTORY DEPOSIT

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 20,000,000 in a bank designated by SAMA. The accrued interest on deposit is the same as for the previous year; SR 76,025 (2011: SR 76,025). This deposit cannot be withdrawn without SAMA's consent. The statutory deposit is maintained with Banque Saudi Fransi, a shareholder of the Company.

14 AVAILABLE FOR SALE INVESTMENTS

Investments are classified as follows:

Insurance operations' available for sale investments:

	As at 31 December 2012 - (SR)	*As at 31 December 2011 - (SR)*
Bonds-quoted (rated AA by Standard & Poor's)	4,848,750	--
Funds-quoted (unrated)	25,032,435	--
Total	**29,881,185**	--

The cumulative change in fair value of available for sale investments amounting to SR (53,065) is presented within the insurance operation' surplus in the statement of financial position.

Movement schedule in respect of available for sale quoted securities is as follows:

	2012 ***SR***	*2011* *SR*
Balance at the beginning of the year	-	--
Acquisition during the year	29,934,250	--
Net change in fair value	(53,065)	--
Balance at the end of the year	**29,881,185**	--

14 AVAILABLE FOR SALE INVESTMENTS(continued)

Shareholders' available for sale investments:

	As at 31 December 2012 (SR)		
	Quoted	***Unquoted***	***Total***
Sukuk	46,100,500	-	46,100,500
Bonds	93,084,505	-	93,084,505
Funds	3,039,336	-	3,039,336
Equities	-	3,223,078	3,223,078
Total	**142,224,341**	**3,223,078**	**145,447,419**

	As at 31 December2011- (SR)		
	Quoted	*Unquoted*	*Total*
Sukuk	24,125,000	-	24,125,000
Bonds	47,151,563	-	47,151,563
Funds	55,738,955	-	55,738,955
Equities	-	3,223,078	3,223,078
Total	127,015,518	3,223,078	130,238,596

The cumulative change in fair value of available for sale investments amounting to SR 2,568,517 (31 December 2011: SR 925,378) is presented within the shareholders' equity in the statement of financial position.

As the fair values of the above unquoted securities are not readily available, these investments are carried at cost and reviewed by management for impairment.

Movement schedule in respect of available for sale quoted securities is as follows:

	2012 ***SR***	*2011* *SR*
Balance at the beginning of the year	130,238,596	101,216,906
Acquisition during the year	83,523,310	29,042,127
Disposals during the year	(70,903,813)	-
Net change in fair value	2,589,326	(20,437)
Balance at the end of the year	**145,447,419**	130,238,596

The Company uses Level 1 hierarchy for determining and disclosing the fair value of financial instruments which is the quoted price in active markets for the same instrument without modification or repacking.

Following is the credit rating of available for sale investments:

Credit quality	**Credit Rating Agency**	**Financial instrument**	**31 December 2012**	31 December 2011
Very strong quality AA – AA-	Standard and Poor/ Moody's	Bonds / Sukuks	30,857,213	34,720,313
Strong quality A+	Standard and Poor	Sukuk	86,130,505	21,456,250
Satisfactory quality A-	Standard and Poor	Sukuk	5,000,000	5,000,000
Unrated	N/A	Equities/Sukuk/Mutual Funds	23,459,701	69,062,033

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.
Strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.
Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

15 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the year ended 31 December 2012 and 31 December 2011and the related affiliate's balances as at 31 December 2012 and 31 December 2011:

Related party	Nature of transaction	*2012* *SR*	*2011* *SR*
Entities controlled, jointly controlled or significantly influenced by related parties.	- Insurance premium written	**34,371,438**	17,341,617
	- Insurance premium ceded	**22,085,731**	39,497,304
	- Gross claims paid	**4,552,914**	11,609,023
	- Reinsurance share of claims paid	**4,933,623**	5,795,670
	- Commission expense	**6,893,243**	4,732,121
	- Commission income	**1,043,859**	1,756,470
	Other expenses		
	- Third party administrator (TPA) fees	**2,540,240**	921,182
Key management personnel	Remuneration and related expenses	**6,124,530**	6,049,356
Board members	Fees and related expenses	**198,030**	204,652

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer of the Company. All Unit Linked investments and certain significant available for sale investments are managed by an affiliate, Saudi Fransi Capital. Cash and cash equivalents include bank accounts, majority of which are maintained with the shareholder of the company, Banque Saudi Fransi.

The significant transactions with the related parties are included in the following balances as at the financial position date:

		As at 31 December 2012 SR	*As at 31 December 2011 SR*
Entities controlled, jointly controlled or significantly influenced by related parties.	- Accrued expenses	**2,788,153**	1,051,350
	- Premium receivable, net	**13,306,896**	8,824,752
	- Reinsurance balance payable	**15,426,074**	35,260,451
	- Outstanding Claims	**4,112,802**	5,059,274

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Allianz Risk Transfer A.G. Dubai, Allianz France, Allianz Global Corporate and Speciality AG, Allianz World Wide Care, Allianz Global risks U.S Insurance ,Allianz Belgium, Euler Hermes, Allianz SE Zurich, Allianz Insurance Hong Kong, Allianz Global Risks Netherland, Allianz Insurance Singapore, Allianz Insurance New Zealand, Saudi Fransi Insurance Agency, Banque Saudi Fransi, Saudi Fransi Leasing Company, Saudi Next Care, Saudi Fransi Capital.

16 EMPLOYEES' END OF SERVICE BENEFITS

	2012 *SR*	*2011* *SR*
Balance at the beginning of the year	6,029,510	4,253,073
Accrued for the year	1,283,486	1,776,437
Paid during the year	(723,613)	-
Balance at the end of the year	**6,589,383**	**6,029,510**

17 UNEARNED PREMIUMS

	2012 *SR*	*2011* *SR*
Balance at the beginning the year	66,400,576	62,449,297
Net premiums written during the year	352,315,647	358,622,031
Net premiums earned during the year	(351,750,360)	(354,670,752)
	66,965,863	66,400,576
Add: reinsurance share of unearned premium	85,464,353	125,258,097
Less: ceased policies	(731,087)	-
Balance at the end of the year	**151,699,129**	**191,658,673**

18 MATHEMATICAL RESERVE

	2012 *SR*	*2011* *SR*
Balance at the beginning the year	472,596,932	426,301,924
Change in mathematical reserves and surplus during the year	61,840,917	46,295,008
Balance at the end of the year	**534,437,849**	**472,596,932**

19 UNEARNED COMMISSION INCOME

	2012 *SR*	*2011* *SR*
Balance at the beginning the year	15,096,686	11,037,631
Received during the year	29,062,019	30,213,185
Earned during the year	(30,818,622)	(26,154,130)
Balance at the end of the year	**13,340,083**	**15,096,686**

20 ACCRUED EXPENSES AND OTHER LIABILITIES

	2012 *SR*		*2011* *SR*	
	Insurance operations	***Shareholders' operations***	*Insurance operations*	*Shareholders' operations*
Withholding taxes	631,388	-	500,000	-
Accrued bonus	4,111,543	-	3,719,813	-
Consultation and professional fees	470,381	-	1,227,113	-
Regulatory fees	823,244	-	1,185,635	-
Inspection and supervision fees	685,948	-	665,569	-
Claims payable	4,886,584	-	17,551,024	-
Others	182,078	91,625	69,229	116,025
	11,791,166	**91,625**	**24,918,383**	**116,025**

21 CLAIMS DEVELOPMENT TABLE

The following table reflects the net incurred claims including both the net claims notified and net incurred but not reported claims for each accident year (excluding the surrenders for protection and savings insurance products) at each financial position date together with the cumulative payments to date. The development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of the claims. The company aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the company will transfer much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Claims triangulation analysis by accident years for the last five years is set out below;

2012 Accident Year	***2008***	***2009***	***2010***	***2011***	***2012***	***Total***
Estimate of ultimate claims cost:						
At the end of accident year	37,520,563	59,026,124	98,796,943	102,627,482	112,386,947	-
One year later	32,361,492	70,655,112	121,042,243	112,307,286	-	-
Two years later	34,356,763	71,282,780	112,425,386	-	-	-
Three years later	34,358,417	66,761,732	-	-	-	-
Four years later	29,529,984	-	-	-	-	-
Current estimate of cumulative claims	29,529,984	66,761,732	112,425,386	112,307,286	112,386,947	433,411,335
Cumulative payments to date	(29,460,712)	(66,997,904)	(107,847,236)	(104,984,238)	(77,399,065)	(386,689,155)
Liability recognised in statement of financial position	69,272	(236,172)	4,578,150	7,323,048	34,987,882	46,722,180

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements. The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. However, the sensitivity to changes in claim liabilities net of reinsurance by 5 percent is analysed separately for each class of business while keeping all other assumptions constant. A hypothetical 5% change in claims ratio would impact income by approximately SR 17,587,518 (2011: SR: 17,733,538).

22 ZAKAT AND INCOME TAX

The provision for zakat and tax for the year ended 31 December 2012 and 31 December 2011 is set out below;

	2012 *SR*	*2011* *SR*
Provision for zakat – current year	2,022,185	1,526,218
Adjustment of zakat provision for prior year	-	87,300
Provision for tax	998,085	298,235
Zakt and tax	**3,020,270**	**1,911,753**

a) Zakat

The current year's provision is based on the following:

	2012 *SR*	*2011* *SR*
Opening share capital	200,000,000	200,000,000
Reserves and opening provisions	(5,389,246)	(38,322,746)
Closing value of long term assets	(21,234,518)	(24,554,856)
	173,376,236	**137,122,398**
Zakatable income for the year	11,814,037	2,647,582
Zakat Base	**185,190,273**	**139,769,980**
Total Saudi share of Zakat base (43.678 %)	80,887,407	61,048,732
Zakat due at 2.5% on Saudi shareholding	**2,022,185**	**1,526,218**

The differences between the financial and the Zakatable results are mainly due to provisions which are not allowed in the calculation of Zakatable income.

b) Tax

The current year's provision is based on the following:

	2012 ***SR***	***2011*** ***SR***
Net income for the year	10,894,799	1,556,637
Add: Inadmissible expenses	8,542,325	3,500,736
Less : Admissible expenses	(7,623,087)	(1,527,264)
Adjustment of brought forward losses	(2,953,508)	(882,527)
Taxable income	8,860,529	2,647,582
Non Saudi base (56.322%)	4,990,427	1,491,171
Provision for tax (20%)	**998,085**	**298,235**

22 ZAKAT AND INCOME TAX (continued)

c) *Movement in zakat and tax payable is as follows:*

	2012 *SR*	*2011* *SR*
Opening balance of zakat and tax payable	1,824,453	143,422
Provided during the year	3,020,270	1,911,753
Payment made during the year	(424,550)	(230,722)
Closing balance of zakat and tax payable	**4,420,173**	**1,824,453**

d) Status of assessments

The Company has filed tax and zakat declaration for the years ended 31 December 2008 to 2011 and the assessments for these years are still outstanding. The Company has filed appeal against Department of Zakat and Income Tax (DZIT) assessment of additional zakat arising from disallowance of long term investments from zakat base for the years 2010 and 2011 amounting to SR 1.748 million. The Company has booked the additional Zakat provision in the financial statements.
The Company is in the process of filing tax and zakat returns for the year ended 31 December 2012 with the (DZIT).

23 SHARE CAPITAL

The authorized and issued share capital of the Company is SR 200,000,000 as at 31 December 2012 consisting of 20,000,000 shares of SR 10 par value.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and right shares are recognised as a deduction from equity.

24 EQUITY INCENTIVE PLAN

The key management personnel of the Company are eligible for a Global Equity Incentive (GEI) plan of Allianz Group, a major shareholder of the Company. The GEI plan consists of Restricted Stock Units (RSU). In accordance with the pre-requisites of these cash-settled equity plans, key management personnel (the eligible personnel) of the Company would be granted, certain number of RSU's if at the time of exercise, provided the eligible personnel were still employed within the Allianz Group.

The obligation under the above plans is measured at fair value at the balance sheet date based on pricing information provided by Allianz Group. The fair value of such obligation determined is recognised in the statement of insurance operations on a straight line basis over the vesting period. Any future changes from the grant date in the fair value of RSU's have been fully covered for absolute amounts with Allianz Group thus restricting/capping the liability of the Company. During the year ended 31 December 2012, an amount of SR 660,000 was accrued toward the GEI plan (2011: SR 632,747).

25 STATUTORY RESERVE

In accordance with its bylaws, 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 capital. The Company has not transferred any amount to statutory reserve due to the fact that the Company has accumulated losses as at 31 December 2012.

26 PREMIUMS WRITTEN AND EARNED

		Year ended 31 December 2012 (SR)	
	Gross	***Reinsurance share***	***Net***
General insurance	416,632,339	(243,773,278)	**172,859,061**
Protection and Saving insurance	204,599,679	(25,143,093)	**179,456,586**
Written premiums	**621,232,018**	**(268,916,371)**	**352,315,647**
Change in unearned premium	33,868,705	(34,433,992)	**(565,287)**
Earned premiums	**655,100,723**	**(303,350,363)**	**351,750,360**

		Year ended 31 December 2011 (SR)	
	Gross	*Reinsurance share*	*Net*
General insurance	510,801,145	(315,621,944)	195,179,201
Protection and Saving insurance	172,889,548	(9,446,718)	163,442,830
Written premiums	683,690,693	(325,068,662)	358,622,031
Change in unearned premium	(13,884,853)	9,933,574	(3,951,279)
Earned premiums	669,805,840	(315,135,088)	354,670,752

27 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2012 SR		*Year ended 31 December 2011 SR*	
	Insurance operations	***Shareholders' operations***	*Insurance operations*	*Shareholders' operations*
Employees' costs	52,306,571	617,410	50,481,461	233,692
Provision for doubtful debts (note 11)	5,887,607	-	3,486,024	-
Depreciation (note 6)	1,614,034	-	1,724,299	-
Rent	3,020,993	-	2,941,558	-
Repair and maintenance	1,522,310	-	2,610,569	-
Consultation fees	2,192,009	-	2,301,462	-
Postage and telephone	1,444,760	-	1,896,809	-
Advertisement and promotion	496,103	-	507,000	-
Travel and transportation	334,705	-	294,486	-
Software maintenance	-	-	114,140	-
Board expenses	127,824	70,206	147,127	57,525
Others	2,809,645	-	5,612,759	-
	71,756,561	**687,616**	72,117,694	291,217

28 RISK MANAGEMENT

Risk management strategy

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from their core business operations.

The strategy considers the impact of market conditions and available expertise on inherent risks to which the company is exposed. Consideration is not limited to the risks associated with one class of business but is extended to risks from all other classes.

The Company's Board of Directors and the senior management periodically reviews and updates the risk management strategy by taking into account developments that are internal and external to the company.

Risk management structure

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

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

a) Operational/Process risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Company manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a timely basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profile
The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations, including premiums receivable. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurance share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

28 RISK MANAGEMENT (continued)

As at 31 December 2012 *Amount in SR*	*No fixed maturity*	*Up to1 year*	*2-5 years*	*More than5 years*	*Total*
Insurance operations' assets					
Reinsurers' share of outstanding claims	-	96,951,123	-	-	96,951,123
Unit linked investments	533,238,604	-	-	-	533,238,604
Available for sale investments	25,032,435	-	-	4,848,750	29,881,185
Premiums receivable	-	128,717,315	-	-	128,717,315
Reinsurance balances receivable	-	23,900,534	-	-	23,900,534
Cash & cash equivalents	-	32,987,354	-	-	32,987,354
	558,271,039	**282,556,326**	-	**4,848,750**	**845,676,115**
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	20,076,025
Available for sale investments	6,262,414	10,100,000	69,019,551	60,065,454	145,447,419
Due from insurance operations	-	1,686,645	-	-	1,686,645
Cash & cash equivalents	-	341,510	-	-	341,510
	26,338,439	**12,128,155**	**69,019,551**	**60,065,454**	**167,551,599**

As at 31 December 2012 *Amount in SR*	*No fixed maturity*	*Up to 1 year*	*2-5 years*	*More than5 years*	*Total*
Insurance operations' liabilities					
Employees end of service benefits	6,589,383	-	-	-	6,589,383
Mathematical reserve	534,437,849	-	-	-	534,437,849
Outstanding claims	-	146,860,735	-	-	146,860,735
Due to shareholders operations	-	1,686,645	-	-	1,686,645
Reinsurance balance payable	-	82,367,514	-	-	82,367,514
Accrued expenses and other payables	-	11,791,166	-	-	11,791,166
	541,027,232	**242,706,060**	-	-	**783,733,292**
Shareholders' liabilities					
Accrued expeneses and other liabilities	-	91,625	-	-	91,625
Zakat payable	-	4,420,173	-	-	4,420,173
	-	4,511,798	-	-	4,511,798

28 RISK MANAGEMENT(continued)

As at 31 December 2011 *Amount in SR*	*No fixed maturity*	*Up to1 year*	*2-5 years*	*More than5 years*	*Total*
Insurance operations' assets					
Due from shareholders	-	3,847,909	-	-	**3,847,909**
Unit linked investments	471,146,684	-	-	-	**471,146,684**
Premiums receivable	-	126,937,494	-	-	**126,937,494**
Reinsurance balances receivable	-	18,116,160	-	-	**18,116,160**
Cash & cash equivalents	-	61,900,990	-	-	**61,900,990**
	471,146,684	**210,802,553**	-	-	**681,949,237**
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	**20,076,025**
Investments	58,962,033	-	59,970,313	11,306,250	**130,238,596**
Cash & cash equivalents	-	12,670,275	-	-	**12,670,275**
	79,038,058	**12,670,275**	**59,970,313**	**11,306,250**	**162,984,896**

As at 31 December 2011 *Amount in SR*	*No fixed maturity*	*Up to 1 year*	*2-5 years*	*More than5 years*	*Total*
Insurance operations' liabilities					
Employees end of service benefits	6,029,510	-	-	-	**6,029,510**
Mathematical reserve	472,596,932	-	-	-	**472,596,932**
Outstanding claims	-	130,437,755	-	-	**130,437,755**
Reinsurance balance payable	-	70,306,255	-	-	**70,306,255**
Accrued expenses and other payables	-	24,918,383	-	-	**24,918,383**
	478,626,442	**225,662,393**	-	-	**704,288,835**
Shareholders' liabilities					
Due to insurance operations'	-	3,847,909	-	-	**3,847,909**
Accrued expeneses and other liabilities	-	116,025	-	-	**116,025**
Zakat payable	-	1,824,453	-	-	**1,824,453**
	-	**5,788,387**	-	-	**5,788,387**

28 RISK MANAGEMENT (continued)

c) Credit risk

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

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

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.

- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.

- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.

- The Company's investments mainly comprise of debt securities and mutual funds. The Company does not have an internal grading mechanism for investments. The Company limits its credit risk on investments by setting out a minimum acceptable security rating level affirming their financial strength.

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 15% of the same as at 31 December 2012 (2011: 18%).

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

	31 December 2012 SR		
	Insurance Operations	*Shareholders' Operations*	*Total*
Premiums receivable	128,717,315	-	128,717,315
Reinsurance share of outstanding claims	96,951,123	-	96,951,123
Reinsurance balances receivable	23,900,534	-	23,900,534
Cash at bank	32,987,354	341,510	33,328,864
Statutory deposit	-	20,076,025	20,076,025
Available for sale investments	4,848,750	139,185,005	144,033,755
	287,405,076	**159,602,540**	**447,007,616**

28 RISK MANAGEMENT (continued)

	31 December 2011 *SR*		
	Insurance Operations	*Shareholders' Operations*	*Total*
Premiums receivable	126,937,494	-	126,937,494
Reinsurance share of outstanding claims	83,230,450	-	83,230,450
Reinsurance balances receivable	18,116,160	-	18,116,160
Cash at bank	61,900,990	12,670,275	74,571,265
Statutory deposit	-	20,076,025	20,076,025
Investments	-	71,276,563	71,276,563
	290,185,094	104,022,863	394,207,957

d) Special commission rate risk

Special commission rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to special commission rate risk on its bank balances and available for sale- debt securities.

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2012. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2012 would impact special commission income by approximately SR 160,000 (2011; 140,000) annually in aggregate.

e) Currency exchange 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. In addition, as the Company's foreign currency transactions are primarily in US dollars which is pegged with Saudi Riyal, foreign exchange gains and losses are not significant and have not been disclosed separately.

f) Market risk

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

The Company's market risk exposure relates to it's quoted available for sale investments whose values will fluctuate as a result of changes in market prices. The Company limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

A 1% change in the market price of the quoted available for sale investments, with all other variables held constant, would impact net equity by increase/ decrease of SR 1,422,243 (2011: SR 1,270,155).

28 RISK MANAGEMENT(continued)

g) Fund price risk

Fund price risk is the risk that the fair value of future cash flows of a fund will fluctuate because of changes in the net asset value (NAV) being determined by fund managers.

The Company is not exposed to fund price risk since any change in the NAV of the funds will affect the change in mathematical reserve and the change in the fair value of the funds by the same amount; hence, no impact is on the net performance of the Company.

h) Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.
The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes.
The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

The insurance claim liabilities are sensitive to the various assumptions mentioned in note 6. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. A key feature of the liability adequacy testing is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while significant enough deterioration in estimates is immediately recognised to make the liabilities adequate.

i) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize 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 year.

j) Fair value of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. 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 Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position.

29 BASIC AND DILUTED EARNINGS PER SHARE

	Year ended 31 December 2012	*Year ended 31 December 2011*
Net profit for the year (SR)	**10,279,849**	1,556,637
Weighted average number of ordinary shares	**20,000,000**	20,000,000
Basic and diluted earnings per share – (SR)	**0.51**	0.08

30 CONTINGENCIES

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business relating to policyholders' insurance claims. 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 performance and financial position.

31 SEGMENT INFORMATION

(a) 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. Information disclosed in the note is based on current reporting to the chief operating decision maker.

Segment assets do not include insurance operations' cash and cash equivalents, prepaid expenses, due from shareholders' operations and property and equipment. Accordingly they are included in unallocated assets.

Segment liabilities do not include reinsurers' balances payable, employees' end of service benefits, accrued expenses and other liabilities. Accordingly they are included in unallocated liabilities.

The unallocated assets and unallocated liabilities are reported to chief operating decision maker on the cumulative basis and not reported under the related segments.

Operating segments

Following are the operating segments identified for segment reporting purposes;

Motor	:	Motor corporate and motor individual
Engineering	:	Construction
Medical	:	Medical
Property	:	Fire, Burglary and Money
Other general	:	Liability and Marine
Protection & Saving	:	Group Retirement & Individual Protection & Saving

31 SEGMENT INFORMATION (continued)

	Motor	*Engineering*	*Medical*	*Property*	*Other General*	*Protection & Saving*	*Shareholders' Fund*	*Total*
For the year ended 31 December 2012								
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Gross written premiums	85,139,484	75,664,607	82,324,376	99,241,396	74,262,476	204,599,679	-	621,232,018
Reinsurance premium ceded	(3,358,423)	(63,726,685)	(38,113,389)	(84,796,412)	(53,778,369)	(25,143,093)	-	(268,916,371)
Net written premium	81,781,061	11,937,922	44,210,987	14,444,984	20,484,107	179,456,586	-	352,315,647
Net premiums earned	80,699,448	11,382,355	47,586,474	14,627,214	18,576,593	178,878,276	-	351,750,360
Unrealized gain on unit linked investments	-	-	-	-	-	7,427,732	-	7,427,732
Net claims incurred	(65,643,056)	(1,338,326)	(40,738,019)	(3,287,372)	(4,409,573)	(93,159,969)	-	(208,576,315)
Change in mathematical reserves	-	-	-	-	-	(61,840,917)	-	(61,840,917)
Commission (expenses)/income,net	(10,266,898)	4,818,447	(3,909,665)	6,332,683	3,643,126	(9,488,397)	-	(8,870,704)
Inspection and supervision fees	(425,697)	(378,323)	(411,622)	(496,207)	(371,313)	(1,022,998)	-	(3,106,160)
Net underwriting results	4,363,797	14,484,153	2,527,168	17,176,318	17,438,833	20,793,727	-	76,783,996
Unallocated income	-	-	-	-	-	-	-	1,122,069
Unallocated expenses	-	-	-	-	-	-	-	(71,756,561)
Surplus from insurance operations	-	-	-	-	-	-	-	**6,149,504**
Retained in Insurance operations	-	-	-	-	-	-	-	(614,950)
Shareholders' total revenue	-	-	-	-	-	-	5,432,911	5,432,911
General & administrative expenses	-	-	-	-	-	-	(687,616)	(687,616)
Net income for the year								**10,279,849**

31 SEGMENT INFORMATION (continued)

	Motor	*Engineering*	*Medical*	*Property*	*Other General*	*Protection & Saving*	*Shareholders' Fund*	*Total*
As at 31 December 2012								
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Insurance Operations' Assets								
Reinsurers' share of unearned premiums	54,910	34,986,457	5,138,741	26,341,268	14,667,441	4,275,536	-	85,464,353
Reinsurers' share of outstanding claims	3,603,456	38,557,390	-	35,213,906	13,365,346	6,211,025	-	96,951,123
Deferred policy acquisition costs	4,107,081	3,189,323	557,768	1,992,841	1,529,889	951,222	-	12,328,124
Premium Receivable, gross	39,471,340	34,981,461	12,012,533	26,457,443	37,897,309	8,379,690	-	159,199,776
Provision for doubtful debts	-	-	-	-	-	-	-	(30,482,461)
Unit linked investments	-	-	-	-	-	533,238,604	-	533,238,604
Unallocated assets	-	-	-	-	-	-	-	92,634,870
Shareholders' assets	-	-	-	-	-	-	-	171,408,959
Total assets								**1,120,743,348**
Insurance Operations' Liabilities								
Unearned premiums	38,039,437	41,990,126	11,984,862	32,110,323	22,344,272	5,230,109	-	151,699,129
Outstanding claims	23,839,419	40,225,715	8,000,781	40,717,207	23,978,946	10,098,667	-	146,860,735
Unearned commission income	7,138	6,270,019	-	4,703,587	2,222,882	136,457	-	13,340,083
Mathematical reserves	-	-	-	-	-	534,437,849	-	534,437,849
Unallocated liabilities and surplus	-	-	-	-	-	-	-	102,996,593
Shareholders' liabilities & equity	-	-	-	-	-	-	-	171,408,959
Total Insurance Operations liabilities, surplus and Shareholders' liabilities and equity								**1,120,743,348**

31 SEGMENT INFORMATION (continued)

	Motor	*Engineering*	*Medical*	*Property*	*Other General*	*Protection & Saving*	*Shareholders' Fund*	*Total*
For the year ended 31 December 2011								
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Gross written premiums	86,324,251	69,353,211	134,733,554	140,729,226	79,660,903	172,889,548	-	683,690,693
Reinsurance premium ceded	(3,602,295)	(59,678,263)	(64,643,752)	(124,512,741)	(63,184,893)	(9,446,718)	-	(325,068,662)
Net written premium	82,721,956	9,674,948	70,089,802	16,216,485	16,476,010	163,442,830	-	358,622,031
Net premiums earned	80,304,124	9,094,488	71,078,323	15,507,717	15,293,640	163,392,460		354,670,752
Unrealized loss on unit linked investments	-	-	-	-	-	822,017	-	822,017
Net claims incurred	(67,542,506)	(965,009)	(54,155,329)	(3,680,046)	(9,360,643)	(85,709,556)		(221,413,089)
Change in mathematical reserves	-	-	-	-	-	(46,295,007)	-	(46,295,007)
Commission (expenses)/income,net	(8,415,741)	3,130,554	(7,771,300)	5,426,864	3,463,348	(9,670,780)	-	(13,837,055)
Inspection and supervision fees	(431,621)	(346,766)	(673,668)	(703,645)	(398,305)	(864,448)	-	(3,418,453)
Net underwriting results	3,914,256	10,913,267	8,478,026	16,550,890	8,998,040	21,674,686	-	70,529,165
Unallocated income	-	-	-	-	-	-	-	1,189,098
Unallocated expenses	-	-	-	-	-	-	-	(72,117,694)
Deficit from insurance operations	-	-	-	-	-	-	-	**(399,431)**
Shareholders' total revenue	-	-	-	-	-	-	2,247,285	2,247,285
General & administrative expenses	-	-	-	-	-	-	(291,217)	(291,217)
Net income for the period								**1,556,637**

31 SEGMENT INFORMATION (continued)

	Motor	*Engineering*	*Medical*	*Property*	*Other General*	*Protection & Saving*	*Shareholders' Fund*	*Total*
As at 31 December 2011	SR	SR	SR	SR	SR	SR	SR	SR
Insurance Operations' Assets								
Reinsurers' share of unearned premium	160,885	49,318,283	8,235,489	46,635,011	19,006,186	1,902,243	-	125,258,097
Reinsurers' share of outstanding claims	1,295,946	30,972,878	610,277	35,710,915	10,295,298	4,345,136	-	83,230,450
Deferred policy acquisition costs	4,395,922	3,971,172	1,234,001	2,025,419	1,397,976	1,197,366	-	14,221,856
Premium Receivable, gross	41,814,237	16,751,600	28,592,478	12,053,183	50,597,635	7,240,637	-	157,049,770
Provision for doubtful debts	-	-	-	-	-	-	-	(30,112,276)
Unit linked investments	-	-	-	-	-	471,146,684	-	471,146,684
Unallocated assets	-	-	-	-	-	-	-	90,249,613
Shareholders' assets	-	-	-	-	-	-	163,782,830	163,782,830
Total assets								**1,074,827,024**
Insurance Operations' Liabilities								
Unearned premium	37,063,799	56,497,472	18,457,097	52,586,296	24,775,503	2,278,506	-	191,658,673
Outstanding claims	21,533,251	31,995,045	10,401,812	39,151,691	20,768,290	6,587,666	-	130,437,755
Unearned commission income	23,193	7,247,257	-	4,853,639	2,722,184	250,413	-	15,096,686
Mathematical reserves	-	-	-	-	-	472,596,932	-	472,596,932
Unallocated liabilities	-	-	-	-	-	-	-	101,254,148
Shareholders' liabilities & equity	-	-	-	-	-	-	163,782,830	163,782,830
Total Insurance Operations liabilities and Shareholders' liabilities and equity								**1,074,827,024**

b) Geographical segments

The Company during the year ended 31 December 2012, operated only in the Kingdom of Saudi Arabia.

32 PROSPECTIVE CHANGES IN ACCOUNTING STANDARDS

Following are the Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards and interpretations at a future date when they become effective:

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments
IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The Company will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 – Fair Value measurement
The standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. Adoption of the standard is not expected to have a material impact on the financial position or performance of the Company.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Adoption of the standard is not expected to have a material impact on the financial position or performance of the Company. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Company by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. These amendments become effective for annual periods beginning on or after 1 January 2014.

33 COMPARATIVE FIGURES

Certain figures for the year ended 31 December 2011 have been reclassified to conform with the presentation of the current year.

34 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 08 Rabi Thani 1434 H, corresponding to 18 February 2013.