



His Royal Highness
**Prince Nayef Bin
Abdulaziz Al-Saud**
Minister of Interior
Second Deputy Premier



His Royal Highness
**Prince Sultan Bin
Abdulaziz Al-Saud**
Crown Prince
First Deputy Premier



**King Abdullah
Bin Abdulaziz
Al-Saud**
Custodian of the
Two Holy Mosques

Chairman's Statement 2010

Dear Shareholders,

It is my privilege to present, on behalf of the Board of Directors, the 3rd Annual Report and Financial Statements of **Allianz Saudi Fransi Cooperative Insurance Company (Allianz SF)** pertaining to the fiscal year ending 31 December 2010.

The year 2010 witnessed a lot of initiatives in Allianz SF strengthening the organization and fostering all round development.

With the aim to converge towards a Customer centric organization in a competitive environment, a few adjustments have been made in the organizational structure from 1st January 2010. We believe the new structure is an important development that will allow us to face future challenges and reach our ambitious plans.

After receiving all the necessary Regulatory approvals, the Company successfully launched a Rights issue to increase the total Paid Up capital to SAR 200 million. The subscriptions for the rights issue were closed on 19th April 2010. We successfully closed our SAR 100 million rights issue plus SAR 25 million share premium on rights issue.

The Company completed the approval in September 2010 from the Regulatory Authorities to allow change in its name to "Allianz Saudi Fransi Cooperative Insurance Company". This new change confirms once again Allianz Group commitment to the Saudi Market.

As per regulations and as a result of the extraordinary General Assembly held on 8th August 2010, a new Board of Directors was elected and constituted for 3 years period ending 7th August 2013. I take this opportunity to thank the former Chairman Mr. Yousef Al-Hamdan and previous Board Members, for their valuable contribution for the past three years since the start of the Company in the Kingdom of Saudi Arabia.

The Company has completed successfully in November, 2010 the transfer of Bancassurance portfolio written by Banque Saudi Fransi since 2000. All the necessary IT infrastructure and Organizational structures have been put in place to further boost the sales of Bancassurance Protection and Savings products including Retirement and Education Solutions.

One of the most important factors in the success of Allianz SF is a knowledgeable, dedicated and trained team of over 450 employees. A number of training initiatives were held by internal and external trainers to develop sales, technical and managerial skills of employees. Our vigorous and consistent approach in recruiting and developing Saudi nationals has resulted in a healthy increase of our Saudization ratio.

Day after day, the company is showing its capabilities to deliver its promises. In 2011 the Company will continue its rapid expansion plan with the aim to be amongst one of the leading Insurance companies in the Kingdom fulfilling Retail and Corporate customer needs with modern and innovative insurance solutions in various lines of business through easy access to customers by various channels of distribution and highly motivated employees.

I would also like to express my deepest gratitude to King Abdullah Bin Abdulaziz, his Crown Prince and Second Deputy Premier for their continuous support to the Insurance industry. I would also like to thank the Saudi Arabian Monetary Agency, the Council of Cooperative Health Insurance, the Capital Market Authority and the Ministry of Commerce & Industry, as well as the Board of Directors, the Management and the staff for their support and dedication.

Dr. Abdullah Bin AbdilAziz Al AbdilKader
Chairman

The Board of Directors' Report

The Board of Directors (BOD) of the Allianz Saudi Fransi Cooperative Insurance Company (Allianz SF) has the pleasure to present to the shareholders, the Company's third Annual Report accompanied with the audited financial statements of the fiscal year ending on 31st December 2010.

Following is a presentation of the most significant developments, operational activities and financial results:

1. Introduction

Allianz Saudi Fransi Cooperative Insurance Company (Allianz SF) is a joint stock company, founded upon the decision of the Council of Ministers No. 233 dated 16/9/1427 H, 9th October 2006 and the Royal Decree No. 60/M dated 18/09/1427 H, 11th October 2006. The initial authorized and issued Capital of the Company was SAR 100 million. On April 2010, the company has increased its capital through a rights issue. The share capital of the company became SAR 200 million consisting of 20 million shares. The ownership of Allianz SF's shares is as follows:

■ 32.50%	Banque Saudi Fransi (BSF)
■ 16.25%	Allianz International France – (100% owned by Allianz SE)
■ 16.25%	Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
■ 2%	Mr. Mohammed Ali Aba Al Khail
■ 2%	Mr. Omran Mohammed Al Omran
■ 31%	Held by the public

Within the 31% public shareholders the following own more than 1% shares:

■ 2.46%	Mr. Abdullah Bakr Mohamed Al Qathami
■ 1.98%	Mr. Fahed Hamad Ibrahim Al Harkan

The Company has received its operation license (Ref: TMN/11/20083) from the Saudi Arabian Monetary Agency SAMA on 30/02/1429 H, 8th March 2008.

2. The Company's Vision, Mission, Strategy & Values

Our Vision is

to be amongst top Saudi Insurers with global expertise and local insight,
providing world class products and services in all lines of business,
with nationwide reach using diverse channels of distribution,
through highly trained and motivated employees.

Our Mission Statement is

Create Trust – Deliver Excellence from A to z

Our Strategy is

To provide insurance solutions in all lines of business through three axis of development:

- **Banque Saudi Fransi:** to provide Retail Bancassurance products.
- **Direct Sales Force:** to provide individual insurance solutions.
- **Selected brokers and dedicated account executives:** to provide comprehensive solutions for corporate customers.

The Company will invest strongly in the early years to develop the above channels of distribution enabling us to consolidate our market position in Property & Casualty & Health Business as well as in Protection & Savings products. In addition, the Company is investing in its distribution network, IT systems and Human Resources; therefore it is not expecting to generate profits in the early development years.

Our Values are

Expertise, Integrity and Sustainability.

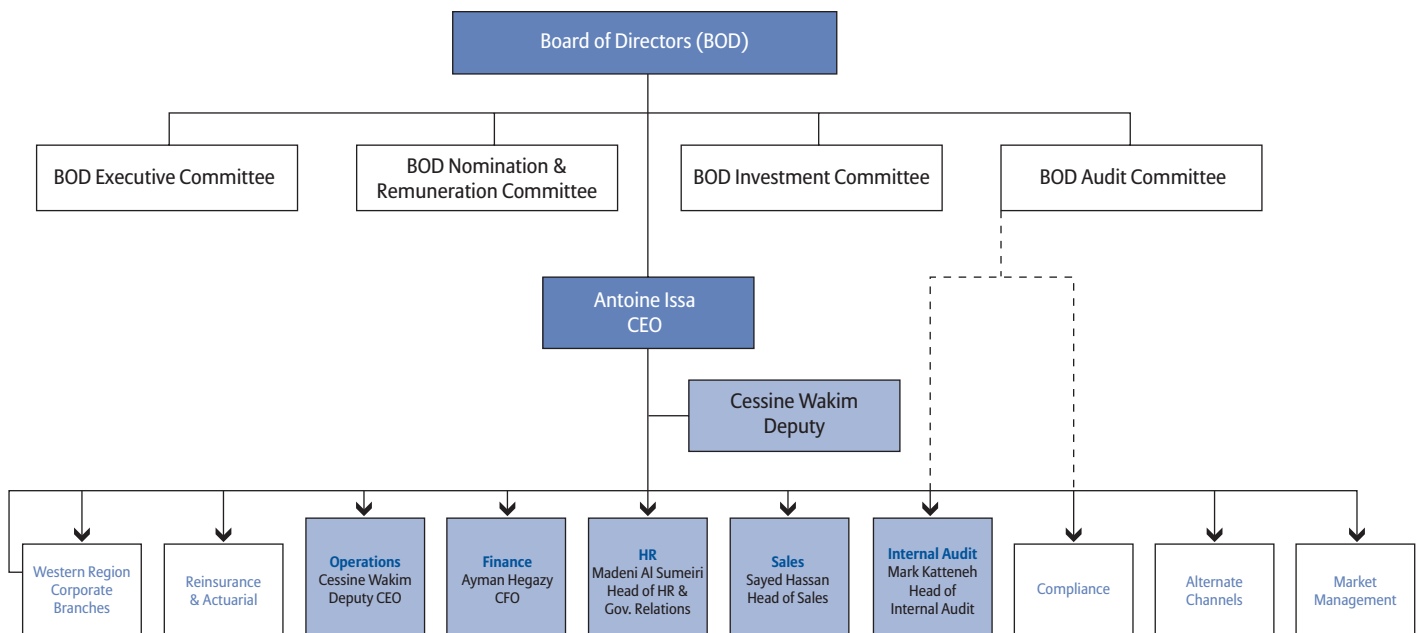
3. Allianz SF Key Dates and Developments

Allianz SF witnessed since its incorporation many significant developments mainly:

- October 2006 : The founders received the authorization to establish the Company as per Royal Decree No. 60/M
- March 2007 : The Company goes public through an Initial Public Offering.
- June 2007 : The Constituting General Assembly is held.
- March 2008 : The Operational License from SAMA (Ref: TMN/11/20083) is obtained.
- September 2008 : The Company moved to the New Head Office in Riyadh and received its first products' approval.
- October 2008 : The Board of Directors recommended increasing the capital to SAR 200 Mn.
- November 2008 : SAMA has approved the transfer of Insaudi portfolio subject to no goodwill.
- January 2009 : Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009.
- March 2009 : The individual Protection & Savings P&S products approvals are received.
- June 2009 : The Company Launched the Direct Sales force Protection & Savings operation.
- November 2009 : BSF Bancassurance Protection & Savings products approvals are received.
- April 2010 : The Company Completed its 10 million shares rights issue and the Capital became SAR 200 Million.
- November 2010 : BSF Bancassurance Portfolio transfer was completed.

4. Organization Chart

With the aim to better serve its customers through a more customer centric organization, Allianz SF has adapted its organization chart with effect from 1st January 2010 to become as follows:



5. Top Management

The Top Management of the Company is shown here below:

Name	Position	Year of Birth	Latest Degree
Antoine Issa	Chief Executive Officer	1966	Masters in Civil Engineering & Masters in Finance
Cessine Wakim	Deputy Chief Executive Officer	1959	Masters in Mathematics & PhD. In International Business Administration
Madeni Al Sumeiri	Head of HR & Gov. Relations	1963	Bachelor of Business Administration
Sayed Hassan	Head of Sales	1957	Masters of Science
Ayman Hegazy *	Chief Financial Officer	1978	CPA & Masters in Business Administration
Mark Kettaneh	Head of Internal Audit	1964	Bachelor of Business Management

*With effect from 1st January 2011, Yacoub Hobeika (YOB: 1969) (LACPA, CPA, CMA, CIA) replaced Ayman Hegazy as Chief Financial Officer

6. Human Resources

The Company's total number of staff as of 31st December 2010 reached 462 employees, compared to 417 employees as of 31st December 2009, with an increase of the proportion of Saudis from 55% in 2009 to 60% in 2010. The Management focus is to gradually increase the number of Saudis in the various departments and levels of the organization.

7. Geographical Presence & change of name

The Company's name changed from "Saudi Fransi Cooperative Insurance Company" to "Allianz Saudi Fransi Cooperative Insurance Company" pursuant to the modified Commercial Registry issued on 1st September 2010, based on the approval of SAMA (Ref: 58732/MT/1675).

Our geographical presence in the Kingdom of Saudi Arabia is shown here below:

Office	Address	Telephone & Fax
Head Office- Riyadh	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh – KSA P.O. Box 3540, Riyadh 11481	Tel: +966 (1) 874 9700 Fax: +966 (1) 874 9799
Riyadh Branch	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh – KSA P.O. Box 3540, Riyadh 11481	Tel: +966 (1) 874 9700 Fax: +966 (1) 874 9799
Jeddah Regional Office	Suite 102, 1st Floor, Ewan Center, Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Tel: +966 (2) 283 2444 +966 (2) 283 2589 Fax: +966 (2) 283 0022
Jeddah Branch	Suite 33, 3rd Floor, Khayyat Tower, Madina Road Northbound Sharafiya District, Jeddah, KSA	Tel: +966 (2) 667 8123 +966 (2) 669 2059 Fax: +966 (2) 663 2576
Madinah Branch	Qurban Street, Al Maimani Building, 6th floor, Medina, KSA	Tel: +966 (4) 834 3111 Fax: +966 (4) 834 0298
Dammam Regional Office	Business City Building, King Abdelaziz Street, Dammam, KSA	Tel: +966 (3) 831 5600 to +966 (3) 831 5606 Fax: +966 (3) 831 5609
Khobar Branch	Al-Salah Tower, Office G107, 28 th Street Prince Faisal Bin Fahd Road Behind Banque Saudi Fransi Regional Office, Khobar, KSA	Tel: +966 (3) 867 9454 +966 (3) 867 5230 / 867 2256 Fax: +966 (3) 867 8441
El-Hasa Branch	Burj Al Hamam, Al Dhahran Road P.O. Box. 3996, Al Hassa 31982, KSA	Tel: +966 (3) 531 5249, 531 4521, +966 (3) 531 3625, 531 3291 Fax: +966 (3) 531 2392

8. The Company's Products and Services

Allianz Saudi Fransi Cooperative Insurance Company provides comprehensive insurance services to corporate and individual customers. In the Protection line of business (Property & Casualty insurance), Allianz Saudi Fransi embrace the entire spectrum of risk management supported by a diversified range of insurance products for corporate and individual customers. For the Provision business (Protection & Saving & Health insurance), the company plays a leading role in the field of Employee Benefits schemes as well as individual Health, Retirement & Education savings plans.

The Company provides corporate and individual solutions as listed hereunder:

Corporate Solutions	Individual Solutions	Bancassurance Solutions
Employee Benefits	Protection & Savings	Protection & Savings
Group Protection & Health	Waad Al Ousra (Protection)	Al Anjal (Educational)
Workmen Compensation	Waad Al Ajyal (Education)	Al Ghad (Retirement)
Property & Casualty	Waad Al Isteqrar (Retirement)	Protection & Savings (Takaful)
Property All Risks	Property, Casualty & Health	Takaful Al Anjal (Education)
Fire, Theft, Money	ASF Property	Takaful Al Ghad (Retirement)
Engineering	ASF Motor	
Contractors All Risks (CAR)	ASF Health	
Erection All Risks	ASF Personal Accident	
Machinery Breakdown	ASF Travel	
Electronic Equipment		
Liability		
Third Party Liability		
Public & Product Liability		
Marine & Cargo		
Credit Insurance		

9. Financial Highlights

a) Written Premiums

The Gross Written Premiums amounted to SAR 523.4 Million for the twelve months ended December 2010 split per line of business as follows:

SAR Million	2010	2009	2008
■ Property, Casualty & Health:	468.7	315.1	77.9
a) Motor:	84.9	62.8	61.8
b) Engineering:	77.3	71.9	61.8
c) Medical:	158.1	103.2	16.1
d) Other General:	148.4	77.2	-
■ Protection & Savings:	54.7	22.7	-

Property, Casualty & Health Gross Written Premiums increased by 49% compared to previous year (2009), while Protection and Savings Gross Written Premiums increased by 141% compared to previous year (2009), showing an important milestone for the company in line with its plan.

Although all the premiums are booked in the Head Office in Riyadh, the sales process is decentralized in the various offices in the Kingdom of Saudi Arabia.

The volumes generated in each region are summarized below:

SAR Million	2010	2009	2008
Central Region:	255.6	224.3	75.2
Western Region:	170.2	76.6	2.1
Eastern Region:	97.6	36.9	0.6

b) Net Premiums Earned

The Net Premiums Earned after deducting the premiums ceded to reinsurers and the reserves for unearned premiums amounted to SAR 233.2 Million for the twelve months ended December 2010 against SAR 127.3 Million for the twelve months ended December 2009. Net Premium Earned increased by 83% compared to previous year (2009) is in line with the increases in Gross Written Premiums and the plan to gradually increase the retention.

Net Earned Premiums represents 45% of the Gross Written Premiums for the current year compared to 38% for the previous year, showing that the company is gradually retaining more premiums.

c) Mathematical Reserve Change

The Mathematical Reserve change applicable to Protection & Savings products amounted to SAR (26.8) Million for the twelve months ended December 2010 against SAR (15.1) Million in 2009.

d) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (134.6) Million for the twelve months ended December 2010 against SAR (73.5) Million for the twelve months ended December 2009.

Net Claims increased by 83% from previous year (2009) is in line with the increases in Net Premium Earned.

e) Net Commissions

The commissions to producers net of the commissions received from reinsurers amounted to SAR (12.2) Million for the twelve months ended December 2010 against SAR 1.9 Million for the twelve months ended December 2009.

f) General Expenses

The Company has incurred during 2010 a total expenses of SAR (71.3) Million, including SAR (0.6) Million allocated to the shareholders operations as general expenses, against a total expenses of SAR (67.5) Million during 2009. General Expenses increased by 5.6% compared to previous year which is in line with the expansion plan.

g) Deficit from Insurance Operations

The technical result before investment income is showing a deficit of SAR (8.6) Million for the twelve months ended December 2010 against a deficit of SAR (19.1) Million for the twelve months ended December 2009 representing a decrease amounting to 55%, showing a gradual improvement of the results as planned.

h) Investments

The Company investments as of December 2010 are summarized here below:

SAR Million	2010	2009	2008
Cash & cash equivalents:	42.3	49.7	60.5
Bonds:	98.0	8.8	12.1
Subscription in Najm & NextCare Companies:	3.2	3.2	-
Held to maturity	-	-	2.1

The investment income has amounted to SAR 3.3 Million as of December 2010 against SAR 4.4 Million as of December 2009. This decrease is due to low interest rates on investments.

i) Result of the Period (Loss)

The Company is still in its early stages of development and is investing in the needed infrastructure, systems, procedures and human resources. Therefore the result for the twelve months ended 31st December 2010 (the third fiscal year) is a loss amounting to SAR (8.3) Million against a loss of SAR (22.4) Million for the twelve months ended 31st December 2009. This positive change in results from 2009 to 2010 is due to the increase of Gross Written Premiums in the various lines of business. The loss per share as of December 2010 is equivalent to SAR 0.43 after increasing the shares from 10 million to 20 million in the rights issue.

j) Assets

The total assets of the Company as of 31st December 2010 amounted to SAR 941.2 Million split as follows:

SAR Million	2010	2009	2008
Insurance Operations' Assets	779.2	379.2	148.0
Shareholders' Assets	162.1	71.5	91.3

k) Shareholder's Equity

The Shareholder's Equity as of 31st December 2010 amounted to SAR 158.4 Million, split as follows:

SAR Million	2010	2009	2008
Share Capital:	200.0	100.0	100.0
Accumulated Losses:	(65.2)	(57.1)	(34.2)
Other Reserves:	23.6	(0.2)	0.1

The company has increased its capital to SAR 200 Million in April 2010 through a SAR 100 Million rights issue plus SAR 25 Million Share Premium. An amount of SAR 100 Million was allocated to the Share Capital and the balance net of associated expenses was allocated to other reserves.

The Company confirms that it did not have any loans as of 31st December 2010.

l) Profit Distribution Strategy

As stated in the articles of association of the Company, article 42, shareholder's profits shall be distributed in the following way:

- Zakat & Tax allocations are to be withheld.

- Twenty percent (20%) of the net profits shall be allocated for the legal reserve formation. This allocation shall be discounted when the total reserve reaches 100% of the paid up capital according to prevailing rules and regulations.
- The Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of net profits to build up reserves allocated for specific purposes.
- The remainder shall be distributed to shareholders as share profits or to be transferred to retained profits account.
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

As a cooperative insurance company, Allianz SF will distribute on a yearly basis 10% of the annual net surplus arising from its insurance operation in accordance with the rules and regulations applicable to cooperative insurance companies. The net surplus, if any, will be calculated at the end of each fiscal year, audited and distributed upon approval of the Saudi Arabian Monetary Agency (SAMA).

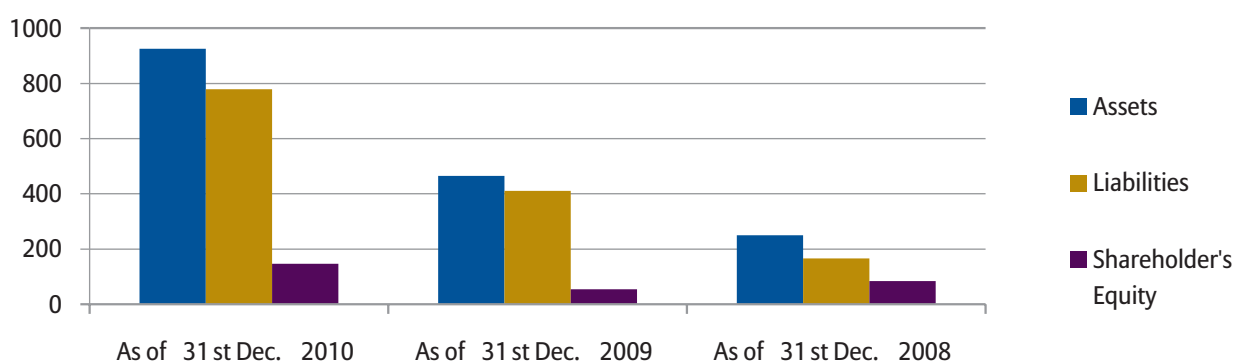
For the year ending 2010, the company is having a deficit, therefore 100% of the deficit will be transferred to the statement of shareholders' operations, in accordance with the requirements of the Executive Regulations of the Cooperative Insurance Law, and no distribution will be made for the year 2010.

m) Financial highlights

The following is a summary of the most important indicators for the Past three years

SAR Million	2010	2009	2008
Gross Written Premium	523.4	337.8	77.9
Net Premium Earned	233.2	127.3	3.7
Mathematical Reserve Change	(26.8)	(15.1)	-
Net Incurred Claims	(134.6)	(73.5)	(0.6)
Net Commissions	(12.2)	1.9	(0.1)
General Expenses	(71.3)	(67.5)	(39.1)
Investment Income	3.3	4.4	2.7
Net Income (Loss)	(8.3)	(22.4)	(33.5)

Balance Sheet "SAR Million"	2010	2009	2008
Total Assets	941.3	450.7	239.3
Total Liabilities	782.9	408.0	173.4
Total Shareholders' Equity	158.4	42.7	65.9



10. Corporate Governance, Regulations & Committees

a) The Compliance with Corporate Governance

In 2010, Allianz SF entirely complied with the CMA corporate governance regulations except in the following minor issue:

CMA guidelines suggest practicing a cumulative voting mechanism in the election of Board Members. However, the Company follows the Ministry of Commerce regulations in this regard; resolutions of the Board shall be adopted by simple majority vote of the members present in person or by proxy who are entitled to vote at such meeting.

b) Board of Directors

Prior to 8th August 2010, the Board of Directors (BOD) was composed of 8 members:

- 3 representing Banque Saudi Fransi (BSF)
- 3 representing Allianz France International & Allianz MENA Holding Bermuda
- 2 independents, including the Chairman

Name	Number of Shares beginning of year	Number of Shares end of year	Change in Number of Shares*	Board Member**	Representing	Member Classification
Yousef Al Hamdan (Chairman)	1,000	Nil	(1,000)		Public	Independent
Sameer Al Hamidi	1,000	Nil	(1,000)	• Astra Industrial Company	Public	Independent
Jean Marion	Nil	Nil	Nil	• Banque Saudi Fransi • Banque Bemo Saudi Fransi	BSF	Non Executive
Abdurrahman Jawa	Nil	Nil	Nil	• Banque Bemo Saudi Fransi • Banque Saudi Fransi	BSF	Non Executive
Nizar Al Qannas	Nil	Nil	Nil		BSF	Non Executive (BOD Secretary)
Heinz Dollberg	Nil	Nil	Nil		• Allianz MENA Holding Bermuda	Non Executive
Hugues de Roquette Buisson	Nil	Nil	Nil		Allianz France Intl.	Non Executive
Antoine Issa	Nil	Nil	Nil		Allianz France Intl.	Executive (CEO)

*Owned by the BOD members, their spouses or their children in Allianz SF

**In other company in KSA

At the extraordinary General Assembly held on 8th August 2010, a new Board of Directors (BOD) composed of 6 members was elected:

- 2 representing Banque Saudi Fransi (BSF)
- 2 representing Allianz France International & Allianz MENA Holding Bermuda
- 2 independents, including the Chairman

Name	Number of Shares beginning of year	Number of Shares end of year	Change in Number of Shares*	Board Member**	Representing	Member Classification
Abdullah Abdilkader (Chairman)	Nil	1,000	1,000	• Saudi Industrial Investment Group (SIIG).	Public	Independent
Alwaleed Al Dryaan	Nil	1,000	1,000	• Alkhaleej Training & Education Co.	Public	Independent
Jean Marion	Nil	Nil	Nil	• Banque Saudi Fransi • Banque Bemo Saudi Fransi	BSF	Non Executive
Abdulaziz Al Habdan	Nil	Nil	Nil	• Banque Saudi Fransi • Saudi Telecom Co. (STC)	BSF	Non Executive
Hugues de Roquette Buisson	Nil	Nil	Nil		• Allianz France International	Non Executive
Heinz Dollberg	Nil	Nil	Nil		• Allianz MENA Holding Bermuda	Non Executive

*Owned by the BOD members, their spouses or their children in Allianz SF. **In other company in KSA

c) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of Board Members and Top 6 Executives (including the CEO, his Deputy, and the CFO) during the first fiscal ending 31st December 2010 were:

	Non-executive Board Members (including chairman)	Executive Board Members	Top 6 Executives
Salaries & Remunerations		NIL	SAR 3,869,132
Allowances / Attendance fees	SAR 112,000	SAR 10,500	SAR 378,408
Bonuses		NIL	SAR 1,289,755
Other Benefits paid monthly or yearly	SAR 119,498	NIL	• House Rent: SAR 250,000 • Global Equity Incentive Plan* : SAR 588,546 • Medical Insurance : SAR 149,810
Total	SAR 231,498	SAR 10,500	SAR 6,525,651

*Global Equity Incentive Plan as per paragraph 24 of the attached notes to the Financial Statements

In addition to 5 cars owned by the company and dedicated to the top executives transportation.

The Remuneration and Compensation of Board Members and Top Executives (including the CEO, his Deputy, and the CFO) during the first fiscal ending 31st December 2009 were:

	Non-executive Board Members (including chairman)	Executive Board Members	Top 6 Executives
Salaries & Remunerations		NIL	SAR 3,740,688
Allowances / Attendance fees	SAR 135,000	SAR 18,000	SAR 490,220
Bonuses		NIL	SAR 1,193,069
Other Benefits paid monthly or yearly	SAR 136,934	NIL	• House Rent: SAR 230,000 • Global Equity Incentive Plan* : SAR 433,286 • Medical Insurance : SAR 52,633
Total	SAR 271,934	SAR 16,500	SAR 6,139,896

*Global Equity Incentive Plan as per paragraph 24 of the attached notes to the Financial Statements

In addition to 5 cars owned by the company and dedicated to the top executives transportation.

d) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2010 there was no contract in which the Company was a party and its Chief Executive Officer, Chief Financial Officer, Board Member or any other person who may have a relationship with any of them benefited from it. Moreover, there are no arrangements or agreements by which any of the members of the Board of Directors or any of the top executives or any of the shareholders of Allianz SF waived their interests or rights to receive dividends.

e) Regulatory Status

The Company enjoys a healthy relationship with the Regulators and is appreciate their continuous providing support and guidance. However the Company has incurred during 2010 a penalty from CMA amounting to SAR 50,000 due to the non disclosure of item 22-B, article 27 from the Listing Rules: BOD confirmation that the proper books have been maintained, the internal control systems are sound in design and there are no concerning doubts about the company's ability to persist. This disclosure has been specifically addressed under paragraph 14 below.

f) BOD Committees

BOD Executive Committee

The BOD Executive Committee is responsible for providing recommendations to the Board on various issues such as strategy and business plan. The committee is delegated with certain executive authorities of the board like studying the budget, drawing up the general company policies, following up the performance and achievements versus the plan, etc.

The Committee comprises the following members:

BOD Executive Committee	From 1st January to 27 th September 2010
Jean Marion	Member
Abdurrahman Jawa	Member
H. de Roquette Buisson	Chairman
Heinz Dollberg	Member
Antoine Issa	Member (CEO)

BOD Executive Committee	From 27 th September to 31 st December 2010
Jean Marion	Chairman
Abdulaziz Al Habdan	Member
H. de Roquette Buisson	Member
Heinz Dollberg	Member

The BOD Executive Committee met two times during 2010 with 67% attendance (100% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
03/04/2010	Jean Marion, Abdurrahman Jawa, Hugues de Roquette Buisson, Antoine Issa	80%	100%
20/12/2010	Jean Marion, Abdulaziz Al Habdan	50%	100%

BOD Audit Committee

The BOD Audit committee is responsible for discharging the Board's duties related to the supervision of the Company's financial reporting and evaluating the adequacy of internal and external audit processes. The Committee also evaluates and monitors Allianz SF's control environment and risk management processes.

The Committee comprises the following members:

BOD Audit Committee	From 1st January to 27 th September 2010	BOD Audit Committee	From 27 th September to 31 st December 2010
Hugues de Roquette Buisson	Chairman	Hugues de Roquette Buisson	Chairman
Abdulaziz Usman	External	Abdulaziz Usman	External
Riyadh Al Sharikh	External	Ibrahim Al Shaia	External

The 3 members are non executives and the Committee's Chairman is a board member.

The Audit Committee met four times during 2010 with 67% attendance (92% with proxies)

The BOD Audit Committee met in February 2011 to approve the Company's Financials for the Year 2010. There is no financial or family relationship between the BOD members and the Audit Committee.

The system of internal control has been effectively implemented and the BOD Audit Committee is regularly following the results. The Internal Audit Reports results did not show any major weaknesses but only minor improvements needed that are already addressed or under the process of being adjusted.

Date	Attendance	Percentage	Percentage with Proxy
26/01/2010	H. de Roquette Buisson, R. Al Sharikh	67%	100%
15/02/2010	R. Al Sharikh, A. Usman	67%	100%
27/09/2010	H. de Roquette Buisson, A. Usman	67%	67%
20/12/2010	A. Usman, I. Al Shaia	67%	100%

BOD Investment Committee members

The Investment committee shall prepare, review, and approve the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and in line with SAMA's regulations.

The Committee comprises the following members:

BOD Investment Committee	From 1st January to 27th September 2010	BOD Audit Committee	From 27th September to 31st December 2010
Abdurrahman Jawa	Chairman	Abdulaziz Al Habdan	Chairman
Hugues de Roquette Buisson	Member	Hugues de Roquette Buisson or Heinz Dollberg	Members by alteration
Antoine Issa	Member	AlWaleed Al Dryaan	Member

The investment committee met two times during 2010 with 83% attendance (100% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
09/05/2010	A. Jawa, A. Issa	67%	100%
27/09/2010	A. Al Dryaan, A. Al Habdan, H. Dollberg	100%	100%

Nomination & Remuneration Committee

The duties and responsibilities of the Nomination & Remuneration Committee are mainly:

- Recommend appointments of membership to the Board of Directors and of Top Executives.
- Review the structure of the Board of Directors.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in the Board of Directors.
- Carve clear policies regarding the indemnities and remuneration of the Board Members and Top Executives.

The Nomination & Remuneration Committee (N&R) comprises the following:

BOD Nomination & Remuneration Committee	From 1st January to 27th September 2010	BOD Nomination & Remuneration Committee	From 27th September to 31st December 2010
Sameer Al Hamidi	Member	AlWaleed Al Dryaan	Chairman
Jean Marion or Abdurrahman Jawa	Member	Jean Marion	Member
Heinz Dollberg	Chairman	Heinz Dollberg	Member

The N&R committee met three times during 2010 with 55% attendance (89% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
03/04/2010	J. Marion, A. Jawa, S. Hameedi	67%	100%
1/05/2010	J. Marion, A. Jawa, H. Dollberg	67%	67%
23/06/2010	S. Al Hamidi, J. Marion	67%	100%

g) BOD Meetings

The BOD met four times during the year ended 31st December 2010 with attendance of 83% (94% with proxies):

BOD #	Date	Attendance	Percentage	Percentage with Proxy
14	26/01/2010	Y. Al Hamdan, S. Al Hamidi, J. Marion, N. Al Qannas, H. de Roquette Buisson & A. Issa.	75%	100%
15	03/04/2010	Y. Al Hamdan, J. Marion, A. Jawa, N. Al Qannas, H. de roquette Buisson & A. Issa.	75%	100%
16	15/05/2010	Y. Al Hamdan, J. Marion, A. Jawa, N. Al Qannas, H. de roquette Buisson, H. Dollberg & A. Issa.	87%	100%
17	27/09/2010	A. AbdilKader, W. Dryaan, J. Marion, A. Habdan, H. de roquette Buisson & H. Dollberg	100%	100%

h) Risk Management

During 2010, Allianz SF succeeded in aligning risk management activities with corporate strategy and objectives to preserve the shareholders' value.

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 shall not be limited to the risks associated with one class of business but shall extend to risks from all other classes. Control and Risk Assessment workshops were conducted where the controls in some departments and offices were reassessed and enhanced in the light of the changing economic, social and regulatory environments. The Risk Management Manual and Top Risk Assessment Matrix were approved by the Board of Directors on 16th December 2009 and are regularly updated.

The Risks are mentioned here below:

- Operational/ Process Risk
- Liquidity Risk
- Credit Risk
- Interest Rate Risk
- Currency Exchange Risk
- Equity Price Risk
- Fund Price Risk
- Insurance Risk
- Capital management
- Fair Value of Financial Instruments

For more details please refer to the attached "Notes to Financial Statements"

i) Zakat, Legal Payments, and Loans

Allianz SF allocated SAR 143,422 for Zakat in 2010 against SAR 440,907 allocated in 2009. There were no loans by the Company. The Following table shows a list of legal payments for the year 2010 compared to the year 2009.

SAR Million	2010	2009
Customs Expenses		-
Zakat & Tax	0.1	0.4
GOSI Expenses	1.9	1.4
Visa & Passports	0.6	0.3
Inspection & Supervision Fees	2.6	1.7
Total	5.3	3.8

11. Bancassurance Portfolio Transfer Banque Saudi Fransi (BSF)

Following SAMA approval on 8th June 2010 (SAMA Letter Ref 1131\Is\), the company has transferred on 1st November 2010 a portfolio previously booked by Banque Saudi Fransi since the year 2000 composed of Bancassurance Protection & Savings products : Al Ghad for retirement and Al Anjal for education. The transfer was done with no goodwill and the value of assets and liabilities actually transferred amounted to SAR 365 Million. The transfer was done successfully and the company started booking new and renewal premiums with effect from November 2010.

12. Capital Increase 2010

The initial share capital of the Company was SR100 Million consisting of 10 Million shares with a nominal value of SR 10 each, all of which are fully paid.

On April 2010, the Company has increased its capital by offering 10 Million ordinary shares at an offer price of SR 12.5 per share (nominal value of SR 10 plus a premium of SR 2.5) through a rights issue.

The initial founders have fully subscribed into the increase up to their respective participations and the remaining part was fully subscribed in the market.

This offering represents an increase in the Company's Capital of SR100 Million and a total offer premium of SR 25 Million. The share capital of the Company became SR 200 Million consisting of 20 Million shares with a nominal value of SR 10 each, all of which are fully paid.

13. Future Plans

The Company will continue its rapid development and growth in the market in line with its vision and as per the following strategy:

Direct Sales Force: The Company has launched its Directs Sales Force operation in mid 2009 to market retail Protection & Savings products through highly trained retail sales team. In 2011 the Company will further reinforce its retail team including wider presence in the Kingdom through new sales offices.

Bancassurance: The Company has transferred its Bancassurance Protection & Savings products on 1st November 2010. In 2011 the Company intends to further consolidate its business relation with Banque Saudi Fransi and is expecting a more rapid growth.

Corporate: Corporate Business will remain amongst the top priority of the Company. During 2011, the Company will further extend its relation with Brokers to further increase its market share in Corporate Business.

Health: In 2011, the Company will strengthen its relation with Saudi NextCare as third party administrator to provide our customers with a wider access to medical providers.

Market Management: During 2011 the Company will develop Market Management expertise to better study the Insurance Market needs and adapt its distribution network to serve customers better.

14. External Independent Auditors and Accounting Standards

In 2010, the Ordinary General Assembly approved the BOD recommendation of appointing "KPMG Al Fozan & Al Sadhan" and "Al Bassam Certified Public Accountants and consultants" (Replacing Deloitte & Touche in view of his local expertise) as joint external auditors of Allianz SF for the fiscal year ended 31st December 2010. The external auditors mandate has been renewed as per the board approval following biddings submitted by 3 firms, as well as the company's General Assembly approval.

The financial statements as at 31st December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS). The external independent auditors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2010 in accordance with the International Financial Reporting Standards (IFRS).

15. Board of Directors Declaration

The Board of Directors confirms the following:

- Proper books of account have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no significant doubts concerning the Company's ability to continue as ongoing concern.



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 2010



Independent Auditors' Report

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 statement of financial position of Saudi Fransi Cooperative Insurance Company, a Saudi Joint Stock Company ('the Company') as at 31 December 2010 and the related statements of insurance operations, shareholders' operations, shareholder' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the year then ended and the notes which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

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

Present fairly, in all materials respects, the financial position of the Company as at 31 December 2010 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 Regulations for Companies and the Company's By 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.

Al Bassam Certified Public Accountants and Consultants

P.O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia



Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337

13 Rabi Al Awal 1431H
16 February 2011

KPMG Al Fozan & Al Sadhan

P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia



Tareq A. Al Sadhan
Certified Public Accountant
License No. 352

Statement Of Financial Position

	Note	As at 31 December 2010 SR	As at 31 December 2009 SR
Insurance Operations' Assets			
Office equipment and furniture	7	5,668,432	6,136,276
Reinsurers' share of outstanding claims	8	47,930,883	29,464,834
Reinsurers' share of unearned premiums		115,324,523	107,158,188
Deferred policy acquisition costs	9	12,716,935	5,011,713
Due from shareholders' operations		3,448,478	24,873,121
Unit linked investments	10	425,489,985	33,460,107
Premiums receivable, net	12	137,195,759	147,092,524
Reinsurance balances receivable		26,152,405	7,292,956
Prepayments and other assets	11	2,575,663	2,658,630
Cash and cash equivalents	13	2,655,673	16,100,139
Total Insurance Operations' Assets		779,158,736	379,248,488
Shareholders' Assets			
Statutory deposit	14	20,076,025	10,076,025
Investments	15	101,216,906	12,021,591
Prepayments and other assets	11	1,144,244	168,627
Due from an affiliate	16	-	15,593,759
Cash and cash equivalents	13	39,642,047	33,602,059
Total Shareholders' Assets		162,079,222	71,462,061
Total Shareholders And Insurance Operations' Assets		941,237,958	450,710,549

Statement Of Financial Position

	Note	As at 31 December 2010 SR	As at 31 December 2009 SR
Insurance Operations' Liabilities			
Employees' end of service benefits	17	4,253,073	1,732,560
Unearned premiums	18	177,773,820	156,155,870
Mathematical reserve	19	426,301,924	33,833,742
Outstanding claims	8	80,365,070	46,027,457
Unearned commission income	20	11,037,631	1,731,863
Reinsurance balances payable		71,604,154	91,620,964
Accrued expenses and other liabilities	21	7,823,064	18,201,848
Due to an affiliate	16	-	29,944,184
Total Insurance Operations' Liabilities		779,158,736	379,248,488
Shareholders' Liabilities & Equity			
Shareholders' Liabilities			
Due to insurance operations		3,448,478	24,873,121
Accrued expenses and other liabilities	21	117,326	3,322,855
Zakat payable	22	143,422	491,732
Total shareholders' liabilities		3,709,226	28,687,708
Shareholders' Equity			
Share capital	23	200,000,000	100,000,000
Share premium	23(b)	22,711,315	-
Accumulated losses		(65,287,134)	(57,083,147)
Unrealized gain/(loss) on available for sale investments	15 (i)	945,815	(142,500)
Total shareholders' equity		158,369,996	42,774,353
Total Shareholders' Liabilities And Equity		162,079,222	71,462,061
Total Insurance Operations Liabilities And Shareholders' Liabilities And Equity		941,237,958	450,710,549

Statement Of Insurance Operations

	Note	As at 31 December 2010 SR	As at 31 December 2009 SR
Gross written premiums	26	523,414,122	337,831,422
Reinsurance premiums ceded		(276,726,950)	(189,395,489)
Net written premiums		246,687,172	148,435,933
Changes in unearned premiums	26	(21,617,950)	(48,299,677)
Reinsurance share of unearned premiums		8,166,335	27,208,847
Net change in unearned premiums		(13,451,615)	(21,090,830)
Net premiums earned	26	233,235,557	127,345,103
Commission earned during the year	20	12,718,974	13,062,609
Unrealized gain on unit linked investments, net		1,825,888	3,255,659
Fees and other income		728,061	543,207
Total revenues		248,508,480	144,206,578
Gross claims paid		(227,147,312)	(119,838,156)
Reinsurance share of claims paid		108,454,695	52,258,255
Net claims paid		(118,692,617)	(67,579,901)
Changes in gross outstanding claims		(34,337,613)	(12,085,342)
Changes in reinsurance share of outstanding claims		18,466,050	6,172,134
Net outstanding claims		(15,871,563)	(5,913,208)
Net claims incurred		(134,564,180)	(73,493,109)
Change in mathematical reserves		(26,782,943)	(15,078,063)
Commission expenses amortized during the year	9	(24,962,898)	(11,180,575)
Inspection and supervision fees		(2,617,071)	(1,689,158)
General and administrative expenses	27	(68,156,745)	(61,847,490)
Total claims and expenses		(257,083,837)	(163,288,395)
Net deficit for the year		(8,575,357)	(19,081,817)
Net deficit transferred to statement of shareholders' operations		8,575,357	19,081,817
Net result for the year		-	-

Statement Of Shareholders' Operations

	Note	As at 31 December 2010 SR	As at 31 December 2009 SR
Commission income		777,595	257,210
Gain on sale of investments		-	303,160
Amortisation of premium on investments		-	(43,636)
Total revenues		777,595	516,734
Net deficit transferred from statement of insurance operations		(8,575,357)	(19,081,817)
General and administrative expenses	27	(555,972)	(3,852,978)
Net loss for the year		(8,353,734)	(22,418,061)
Basic and diluted loss per share – Restated	29	(0.43)	(1.30)

Statement Of Shareholders' Comprehensive Income

	As at 31 December 2010 SR	As at 31 December 2009 SR
Net loss for the year	(8,353,734)	(22,418,061)
Fair value change in available for sale investments, net	1,088,315	49,299
Total Comprehensive net loss for the year	(7,265,419)	(22,368,762)

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 2009	100,000,000	-	(34,224,179)	111,361	65,887,182
Comprehensive Net loss for the year	-	-	(22,418,061)	-	(22,418,061)
Fair value change in available for sale investments	-	-	-	49,299	49,299
Net fair value change transferred to statement of shareholders' operations	-	-	-	(303,160)	(303,160)
Provision for zakat	-	-	(440,907)	-	(440,907)
Balance as at 31 December 2009	100,000,000	-	(57,083,147)	(142,500)	42,774,353
Balance as at 1 January 2010	100,000,000	-	(57,083,147)	(142,500)	42,774,353
Increase in capital through right issue (Note 23.a)	100,000,000	-	-	-	100,000,000
Share premium on rights issue (Note 23.a)	-	25,000,000	-	-	25,000,000
Expenses of rights issue (Note 23.b)	-	(2,288,685)	-	-	(2,288,685)
Net loss for the year	-	-	(8,353,734)	-	(8,353,734)
Fair value change in available for sale Investments	-	-	-	1,088,315	1,088,315
Provision for zakat	-	-	(143,422)	-	(143,422)
Excess provision of zakat of prior year	-	-	293,169	-	293,169
Balance as at 31 December 2010	200,000,000	22,711,315	(65,287,134)	945,815	158,369,996

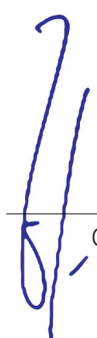
Statement Of Insurance Operations' Cash Flows

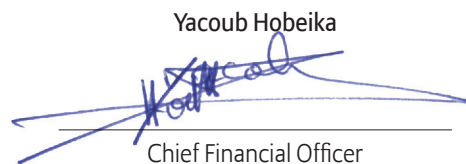
	For the year ended 31 December 2010 SR	For the year ended 31 December 2009 SR
Operating Activities		
Deficit from insurance operations after shareholders' appropriation	-	-
Adjustments to reconcile net income to net cash from (used in) operating activities		
Appropriation of deficit to shareholders' operations	(8,575,357)	(19,081,817)
Depreciation	1,939,294	2,851,635
Employees' end of service benefits	2,520,513	1,221,289
Unrealized gain on unit linked investments	(1,825,888)	(3,255,659)
	(5,941,438)	(18,264,552)
Changes in operating assets and liabilities:		
Deferred policy acquisition costs	(7,705,222)	(4,378,874)
Premiums receivable, net	9,896,765	(88,405,444)
Prepayments and others assets	82,967	(1,509,463)
Unearned premiums, net	13,451,615	40,691,949
Mathematical reserve	27,546,383	33,833,742
Unit linked investments	(25,282,191)	(30,204,448)
Outstanding claims, net	15,871,564	16,095,921
Unearned commission income	9,305,768	994,972
Reinsurance balances payable, net	(38,876,259)	35,023,387
Accrued expenses and other liabilities	(10,378,784)	10,724,985
Net cash used in operating activities	(12,028,832)	(5,397,825)
Investing Activities		
Purchase of office equipment and furniture	(1,471,450)	(1,971,797)
Net cash used in investing activities	(1,471,450)	(1,971,797)
Financing Activities		
Due to an affiliate	(29,944,184)	-
Due from shareholders' operations	30,000,000	19,546,330
Net cash from financing activities	55,816	19,546,330
Net Change In Cash And Cash Equivalents During The Year	(13,444,466)	12,176,708
Cash And Cash Equivalents At Beginning Of The Year	16,100,139	3,923,431
Cash And Cash Equivalents At End Of The Year	2,655,673	16,100,139
Non-cash supplemental information:		
Unit Linked Investments – Bancassurance Portfolio (Note 2)	364,921,799	-
Mathematical Reserves – Bancassurance Portfolio (Note 2)	364,921,799	-

Statement Of Shareholders' Cash Flows

	For the year ended 31 December 2010 SR	For the year ended 31 December 2009 SR
Operating Activities		
Net loss for the year	(8,353,734)	(22,418,061)
Adjustments to reconcile net income to net cash from (used in) operating activities:		
Appropriation of deficit from insurance operations	8,575,357	19,081,817
Amortisation of premium on investments	-	43,636
Gain on sale of available for sale Investments	-	(303,160)
	221,623	(3,595,768)
Changes in operating assets and liabilities:		
Statutory deposit	(10,000,000)	(22,985)
Prepayments and other assets	(975,617)	(24,580)
Accrued expenses and other liabilities	(3,205,529)	3,269,815
Cash used in operations	(13,959,523)	(373,518)
Zakat paid during the year	(198,563)	-
Net cash used in operating activities	(14,158,086)	(373,518)
Investing Activities		
Purchases of available for sale investments	(88,107,000)	(9,354,091)
Disposal of available for sale investments	-	10,303,160
Disposal of held to maturity investments	-	2,000,000
Net cash (used in)/from investing activities	(88,107,000)	2,949,069
Financing Activities		
Issue of share capital, net	122,711,315	-
Due from an affiliate	15,593,759	(6,048,398)
Due to insurance operations	(30,000,000)	(19,546,330)
Net cash from/(used in) financing activities	108,305,074	(25,594,728)
Net Change In Cash And Cash Equivalents During The Year	6,039,988	(23,019,177)
Cash And Cash Equivalents At The Beginning Of The Year	33,602,059	56,621,236
Cash And Cash Equivalents At The Ending Of The Year	39,642,047	33,602,059
Non-cash supplemental information:		
Net changes in fair value of available for sale investments	1,088,315	(253,861)

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


 Antoine Issa
 Chief Executive Officer


 Yacoub Hobeika
 Chief Financial Officer

Notes To The Financial Statements

For the year ended 31 December 2010

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 7 branches (2009: 7) in the Kingdom of Saudi Arabia, employing 462 employees as of 31 December 2010 (2009: 276). 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. Portfolio Transfer Agreement

In June 2010, the Company has obtained the approval of Saudi Arabian Monetary Agency ("SAMA") for the transfer of the Protection and Saving portfolio (the "Bancassurance portfolio" or "Portfolio") maintained with Banque Saudi Fransi (the "Shareholder"). During the year ended 31 December 2010, the Company entered into an agreement with the Shareholder to transfer the Bancassurance Portfolio in the Kingdom of Saudi Arabia as at 1 November 2010 with related rights and liabilities. The Company appointed an independent Actuary (the "Actuary") to conduct the valuation of the Portfolio's related Assets and Liabilities as at 1 November 2010, in accordance with SAMA letter dated 8 June 2010. The portfolio was transferred on 1st November 2010.

The Actuary, through his report dated 2 November 2010, has valued the portfolio at SAR 364.92 million and the Company has accordingly increased its unit link investments and mathematical reserves with the same amount. As at 31 December 2010, the value of portfolio and mathematical reserve was SAR 374.86 million.

During the year ended 31 December 2009, the Company entered into an asset purchase agreement (the Agreement), pursuant to which it offered to purchase the insurance business and related net assets (insurance portfolio) of Insaudi Insurance Company B.S.C.'s operations in the Kingdom of Saudi Arabia (the Operations) at a valuation approved by the Saudi Arabian Monetary Agency (SAMA) and agreed by the concerned parties. Please refer to note 32 for further information in respect of the transferred assets and liabilities.

3. Commercial Operations And Product Approval

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 received product approval from SAMA in September 2008 for medical and engineering insurance. During 2009, the Company has received final products approval for motor, burglary, fidelity, personal accident, group protection as well as protection and saving products and has received temporary approval on other general insurance products (under the "File and Use" mechanism). Moreover, the Company received an approval from SAMA in November 2009 for issuance of Bancassurance products.

4. 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 by-laws require that separate accounts be maintained for Insurance and Shareholders' activities. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by management and approved by the Board of Directors.

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.

5. 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 2009. The new standards, amendments to standards and interpretations which are mandatory for the first time for the financial year beginning 1 January 2010, did not result in material amendments to the presentation and disclosure of the accompanying financial statements.

New amendments and standards issued but not yet effective

The following amendments and standards have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for these financial statements. The Company has chosen not to early adopt the amendments and the newly issued standards:

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

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

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 balance sheet 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)

Takaful 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 takaful operation.

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

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.

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.

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 balance sheet date. All differences are taken to the statement of shareholders' operations and insurance operations.

Investments

All investments are initially recognized at fair value. Premiums are amortized and discounts accreted using the effective yield method and are taken to the statements of shareholders' operations.

Following initial recognition of the various classes of investment securities, the subsequent year 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

Investments which are classified as available for sale are subsequently measured at fair value. Available for sale investments are those investments that are not held-to-maturity. For an available for sale investment, any gain or loss arising from a change in its fair value is recognized directly in statement of shareholders' equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in the shareholders' equity should be transferred to and recognised in the statement of shareholders' operations for the year. Available for sale investments whose fair value can not be reliably measured are carried at amortized cost less any impairment in value.

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 balance sheet 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 balance sheet date.

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 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 debited to the accumulated losses under statement of shareholders equity. Accordingly, amounts reimbursable by the shareholders of such zakat and income tax are credited to accumulated losses.

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, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Management Committees to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For management purposes, 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 and liability 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 and fidelity guarantee insurance;
- Protection and saving segment includes a variety of savings and retirement 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.

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 balance sheet 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

Gross premiums and commissions are recognised as revenue when the insurance policy is issued. Premiums 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 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.

Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period 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.

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

Interest income on investments is recognised on a time proportion basis whereas the gain/loss on sale of available for sale investments is recognised in Statement of Shareholders' operations.

Dividend income

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

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 shareholders' operations.

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.

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 balance sheet 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.

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 balance sheet 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.

6. 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 balance sheet 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 insurance & protection cum investment contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the balance sheet date, for which the insured event has occurred prior to the balance sheet 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 is calculated on the basis of a prudent prospective external actuarial valuation method through the use of 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 balance sheet 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.

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

7. Office Equipment And Furniture

	Computer and office equipment SR	Motor Vehicles SR	Furniture and fittings SR	Total 2010 SR
Cost:				
At the beginning of the year	6,760,496	751,497	4,643,367	12,155,360
Additions during the year	605,740	139,600	726,110	1,471,450
Balance the end of the year	7,366,236	891,097	5,369,477	13,626,810
Accumulated Depreciation:				
At the beginning of the year	3,701,456	464,707	1,852,921	6,019,084
Charge for the year	1,554,344	133,733	251,217	1,939,294
Balance at the end of the year	5,255,800	598,440	2,104,138	7,958,378
Net book value at 31 December 2010	2,110,436	292,657	3,265,339	5,668,432

	Computer and office equipment SR	Motor Vehicles SR	Furniture and fittings SR	Total 2009 SR
Cost:				
At the beginning of the year	5,753,690	682,190	3,747,683	10,183,563
Transferred from Insaudi Insurance	15,930	-	753,535	769,465
Additions during the year	990,876	69,307	142,149	1,202,332
Balance the end of the year	6,760,496	751,497	4,643,367	12,155,360
Accumulated Depreciation:				
At the beginning of the year	2,366,060	279,299	522,090	3,167,449
Transferred from Insaudi Insurance	6,105	-	568,362	574,467
Charge for the year	1,329,291	185,408	762,469	2,277,168
Balance at the end of the year	3,701,456	464,707	1,852,921	6,019,084
Net book value at 31 December 2009	3,059,040	286,790	2,790,446	6,136,276

8. Outstanding Claims

	As at 31 December 2010 SR		
	Gross	Reinsurance share	Net
General insurance	79,626,394	(47,801,583)	31,824,811
Protection & Savings insurance	738,676	(129,300)	609,376
Total insurance outstanding claims	80,365,070	(47,930,883)	32,434,187

As at 31 December 2009			
SR			
	Gross	Reinsurance share	Net
General insurance	44,323,906	(28,243,463)	16,080,443
Protection & Savings insurance	1,703,551	(1,221,371)	482,180
Total insurance outstanding claims	46,027,457	(29,464,834)	16,562,623

Movement schedule in respect of outstanding claims is as follows:

	2010			2009		
	SR			SR		
Opening	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Reported claims	41,231,457	(29,464,834)	11,766,623	1,215,000	(1,196,374)	18,626
IBNR	4,796,000	-	4,796,000	448,076	-	448,076
	46,027,457	(29,464,834)	16,562,623	1,663,076	(1,196,374)	466,702
Provided during the year	261,484,925	(126,920,744)	134,564,181	164,202,537	(80,526,715)	83,675,822
Paid during the year	(227,147,312)	108,454,695	(118,692,617)	(119,838,156)	52,258,255	(67,579,901)
	80,365,070	(47,930,883)	32,434,187	46,027,457	(29,464,834)	16,562,623
As at December 31						
Reported Claims	70,225,232	(47,930,883)	22,294,349	41,231,457	(29,464,834)	11,766,623
IBNR	10,139,838	-	10,139,838	4,796,000	-	4,796,000
	80,365,070	(47,930,883)	32,434,187	46,027,457	(29,464,834)	16,562,623

8.1 Claims Development Table

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year 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 transfers 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 is by accident years spanning a number of financial years.

Accident year	2008 SR	2009 SR	2010 SR	Total SR
Estimate of ultimate claims cost:				
At the end of accident year	2,102,376	131,923,498	261,484,925	395,510,799
One year later	-	165,865,613	-	-
Two years later	-	-	-	-
Current estimate of cumulative claims				
Cumulative payments to date	2,102,376	165,865,613	261,484,925	429,452,914
Liability recognized in statement of financial position	(2,102,376)	(138,858,179)	(208,127,289)	(349,087,844)
Total liability included in statement of financial position	-	27,007,434	53,357,636	80,365,070
Net book value at 31 December 2010	-	-	-	80,365,070

9. Deferred Policy Acquisition Costs

	2010 SR	2009 SR
Balance at the beginning of the year	5,011,713	632,839
Incurred during the year	32,668,120	15,559,449
Amortisation for the year	(24,962,898)	(11,180,575)
Balance at the end of the year	12,716,935	5,011,713

10. Unit Linked Investments

The below investment represents, "Fair Value through Income Statement" (FVIS) investment, for unit-linked contracts as at 31 December 2010:

	As at 31 December 2010 SR	As at 31 December 2009 SR
Local funds	413,747,132	25,128,044
Foreign funds	11,742,853	8,332,063
	425,489,985	33,460,107

Market values of funds and portfolios are as follows:

	As at 31 December 2010 SR	As at 31 December 2009 SR
Al Badr Fund Saudi Riyal	70,006,289	19,879,619
Al Saffa Equity Fund	8,563,833	4,036,518
Al Danah GCC Equity Fund	1,875,938	1,139,333
AL Badr Fund US Dollar	4,711,793	3,372,220
Al Naqaa Asia Growth Fund US Dollar	2,034,990	1,118,598
Al Fursan Equity Fund US Dollar	4,996,070	3,841,244
Money Market Fund Saudi Riyal	620,421	38,964
Saudi Istithmar Fund	401,992	33,611
Al Ghad/Al Anjal low risk	264,276,506	-
Al Ghad/Al Anjal Murabaha	68,002,153	-
	425,489,985	33,460,107

The Company uses Level 2 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.

11. Prepayments And Other Assets

	2010 SR		2009 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Prepaid rent	1,505,259	-	1,024,883	-
Deferred incentive plan costs (note 24)	575,753	-	541,212	-
Advances to employees	7,710	-	809,028	-
Accrued commission	-	1,143,084	-	167,467
Other assets	486,941	1,160	283,507	1,160
	2,575,663	1,144,244	2,658,630	168,627

12. PREMIUMS RECEIVABLE, NET

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

			Past due but not fully impaired	
	Total	Neither past due nor impaired	Less than 180 days	More than 180 days
2010				
Amount in SR				
Premiums receivable	163,822,011	18,076,514	105,275,862	40,469,635
Provision for doubtful debts	(26,626,252)	-	(7,498,605)	(19,127,647)
Premiums receivable, net	137,195,759	18,076,514	97,777,257	21,341,988

2009	Total	Neither past due nor impaired	Past due but not fully impaired	
			Less than 180 days	More than 180 days
Amount in SR				
Premiums receivable	166,989,617	36,072,667	82,493,675	48,423,275
Provision for doubtful debts	(19,897,093)	-	(2,383,240)	(17,513,853)
Premiums receivable, net	147,092,524	36,072,667	80,110,435	30,909,422

The Company classifies balances as 'past due and impaired' on a case to case basis. 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:

	2010 SR	2009 SR
Balance at the beginning of the year	19,897,093	-
Transferred from Insaudi Insurance Company	-	5,560,021
	19,897,093	5,560,021
Provided for the year	6,729,159	14,337,072
Balance at the end of the year	26,626,252	19,897,093

13. Cash And Cash Equivalents

	2010 SR	2009 SR
Insurance operations:		
Cash in hand	39,582	84,232
Cash at bank	2,616,091	16,015,907
	2,655,673	16,100,139
Shareholders' operations:		
Cash at bank	39,642,047	33,602,059
	39,642,047	33,602,059

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

14. 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 (2009: 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.

15. Investments

Investments are classified as follows:

		As at 31 December 2010 SR	As at 31 December 2009 SR
Available for sale			
- quoted securities	(i)	97,993,828	8,798,513
- unquoted securities	(ii)	3,223,078	3,223,078
		101,216,906	12,021,591

(i) Available for sale – quoted securities

	As at 31 December 2010 SR		
	Cost	Market Value	Unrealised gain
Banque Saudi Fransi USD Bond	23,006,250	23,622,045	615,795
SR Commodity Fund (managed by Al Rajhi Capital)	20,000,000	20,118,094	118,094
SR Money Market Fund (managed by CAAM Saudi Fransi)	15,000,000	15,032,173	32,173
SR Trade Fund (managed by Al Khalijia Investment)	20,000,000	20,057,016	57,016
Saudi Bin Ladin Group Sukuk	10,100,750	10,302,000	201,250
SEC Sukuk	5,978,513	6,012,500	33,987
SABIC Sukuk	2,962,500	2,850,000	(112,500)
31 December 2010	97,048,013	97,993,828	945,815

	As at 31 December 2009 SR		
	Cost	Market Value	Unrealised gain
SEC Sukuk	5,978,513	5,888,513	(90,000)
SABIC Sukuk	2,962,500	2,910,000	(52,500)
31 December 2009	8,941,013	8,798,513	(142,500)

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

	2010 SR	2009 SR
Balance at the beginning of the year	8,798,513	12,121,361
Acquisition during the year	88,107,000	6,931,013
Disposals during the year	-	(10,303,160)
Net change in fair value	1,088,315	49,299
Balance at the end of the year	97,993,828	8,798,513

The Company uses Level 2 hierarchy for determining and disclosing the fair value of financial instruments which is the quoted price in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data. The above securities are of good rating.

(ii) Available for sale –unquoted securities

	As at 31 December 2010 SR	As at 31 December 2009 SR
Najm Insurance Company	2,423,078	2,423,078
Saudi Next Care	800,000	800,000
	3,223,078	3,223,078

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.

During 2008, the Company has subscribed an amount of SR 800,000 representing 16% equity interests in the capital of Saudi Next Care, a medical Third Party Administrator. During the year ended 31 December 2009, this investment has been reclassified from 'Other Investment' to 'Available for Sale Investment' as the Next Care company has obtained its commercial registration and started its operations.

16. Related Party Transactions And Balances

The following are the details of major related party transactions during the year ended 31 December 2010 and the related affiliate's balances as at 31 December 2010:

Related party	Nature of transaction	Year ended 31 December 2010 SR	Year ended 31 December 2009 SR
Entities controlled, jointly controlled or significantly influenced by related parties.	Insurance premium	10,273,169	14,280,714
Entities controlled, jointly controlled or significantly influenced by related parties.	Claims	7,124,005	902,327
Entities controlled, jointly controlled or significantly influenced by related parties.	Other expenses		
	- Technical assistance fees	1,092,263	1,110,238
	- Management fees	544,688	504,000
	- Pre-incorporation expenses	-	730,142
Entities controlled, jointly controlled or significantly influenced by related parties.	Other income	-	160,195
Key Management Personnel	Remuneration and related expenses	5,980,963	5,733,073
Board members	Fees and related expenses	241,998	289,934

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, Chief Financial Officer, Head of Human Resource, Head of Sales and Head of Internal Audit of the Company. Certain significant available for sale investments are managed by an affiliate (CAAM Saudi Fransi).

The above significant transactions with the affiliate are included in the following balances as at the balance sheet date:

Related party	Nature of transaction	As at 31 December 2010 SR	As at 31 December 2009 SR
InSaudi Insurance B.S.C (Affiliate)	- Due to an affiliate (Insurance operations)	-	29,944,184
	- Due from an affiliate (Shareholders' operations)	-	15,593,759
Entities controlled, jointly controlled or significantly influenced by related parties.	Accrued expenses	686,828	1,029,030
Entities controlled, jointly controlled or significantly influenced by related parties.	Premium receivable	1,730,462	3,473,499

Related parties include Allianz SNA, Allianz Mena Holding Bermuda, Banque Saudi Fransi, Sofinco Saudi Fransi, Calyon Saudi Fransi and InSaudi Insurance B.S.C.

17. EMPLOYEES' END OF SERVICE BENEFITS

The following are the details of major related party transactions during the year ended 31 December 2010 and the related affiliate's balances as at 31 December 2009:

	2010 SR	2009 SR
Balance at the beginning of the year	1,732,560	511,271
Accrued for the year	2,520,513	1,688,449
Reversed during the year	-	(467,160)
Balance at the end of the year	4,253,073	1,732,560

18. Unearned Premiums

	2010 SR	2009 SR
Balance at the beginning the year	156,155,870	58,374,364
Transferred from InSaudi Insurance Company	-	49,481,829
	156,155,870	107,856,193
Premiums written during the year	523,414,122	337,831,422
Premiums earned during the year	(501,796,172)	(289,531,745)
Balance at the end of the year	177,773,820	156,155,870

19. Mathematical Reserve

	2010 SR	2009 SR
Balance at the beginning the year	33,833,742	-
Transferred from Insaudi Insurance Company	-	18,755,679
Transfer of Bancassurance portfolio	364,921,799	-
	398,755,541	18,755,679
Surplus distribution provided for during the year	763,440	373,634
Changes in reserve during the year	26,782,943	14,704,429
Balance at the end of the year	426,301,924	33,833,742

20. Unearned Commission Income

	2010 SR	2009 SR
Balance at the beginning the year	1,731,863	736,891
Received during the year	22,024,742	14,057,581
Earned during the year	(12,718,974)	(13,062,609)
Balance at the end of the year	11,037,631	1,731,863

21. Accrued Expenses And Other Liabilities

	2010 SR		2009 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Withholding taxes	409,452	-	460,095	-
Accrued bonus	4,854,169	-	2,444,303	-
Consultation & professional fees	336,772	-	4,138,931	3,317,455
Regulatory fees	1,692,813	-	1,064,349	-
Inspection and supervision fees	364,659	-	491,143	-
Down payment on policies	-	-	5,138,907	-
Others	165,199	117,326	4,464,120	5,400
	7,823,064	117,326	18,201,848	3,322,855

22. Zakat And Income Tax

a) Zakat

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

	2010 SR	2009 SR
Opening share capital	100,000,000	100,000,000
Reserves and opening provisions	(55,350,587)	(33,712,908)
Closing value of long term assets	(25,876,497)	(9,296,627)
	18,772,916	56,990,465
Zakatable income/(loss) for the year	(5,638,491)	(16,612,500)
Zakat Base	13,134,425	40,377,965
Total Saudi share of Zakat base (43.678 %)	5,736,855	17,636,288
Zakat due at 2.5% on Saudi shareholding	143,422	440,907

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

Movement schedule in respect of zakat provision is as follows:

	2010 SR	2009 SR
Opening balance of Zakat provision	491,732	50,825
Provided during the year	143,422	440,907
Excess provision of zakat of prior year	(293,169)	-
Payment made during the year	(198,563)	-
Closing Balance of Zakat provision	143,422	491,732

b) Income tax

No provision for income tax has been made in these financial statements as the Company incurred a loss during the year ended 31 December 2010.

c) Status of assessments

The Company has filed tax and zakat declaration for the year ended 31 December 2009. The Company is in the process of filing tax and Zakat returns for the year ended 31 December 2010 with the Department of Zakat and Income Tax.

23. Share Capital

The authorized and issued share capital of the Company is SR 200,000,000 as at 31 December 2010 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.

- a) In December 2008, the Board of Directors has recommended an increase in the Company's capital by SR 100,000,000 through right issue, which was also approved by SAMA with subject to the approval of regulatory authorities. On 18 January 2010, the Board of Directors re-recommended the increase in capital by SR 100,000,000 through rights issue of SR 125,000,000. On 1 March 2010, CMA has approved the rights issue.

In the meeting held on 3rd April 2010, the shareholders approved rights issue of total value of SR 125,000,000 through issuing 10,000,000 shares at price of SR 12.5 (SR 10 par value plus SR 2.5 premium) and the subscription period started on 10 April 2010 and was ended on 19 April 2010.

- b) After the successful completion of the right issue, the Company has adjusted SAR 2.289 million being cost to raise equity against share premium account. This includes SAR 1.633 million which was charged to interim statement of shareholders operations in 1st quarter of 2010.

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 two instruments Stock Appreciation Rights (SAR) and 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 SAR's and RSU's if at the time of exercise, provided the eligible personnel were still employed within the Allianz Group.

Further details of these plans are set out below:

Particulars	SAR plan		RSU plan	
	11 March 2010	12 March 2009	11 March 2010	12 March 2009
Grant date				
Term of the plan	4 years	5 years	5 years	4 years
Vesting period	4 years	5 years	5 years	4 years
Exercise date	10 March 2014	11 March, 2014	10 March 2015	11 March, 2013
Method of settlement	Settled in cash	Settled in cash	Settled in cash	Settled in cash

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. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in statement of shareholders' operation for the period. Any future changes from the grant date of the options in the fair value of SAR's and 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 2010, an amount of SR 588,546 was contributed toward the GEI plan (2009: SR 433,286).

25. Statutory Reserve

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the capital. In view of the net loss for the year, no such transfer has been made.

26. Premiums Written And Earned

	Year ended 31 December 2010 (SR)		
	Gross	Reinsurance share	Net
General insurance	468,694,536	(272,725,679)	195,968,857
Protection & Saving insurance	54,719,586	(4,001,271)	50,718,315
Written premiums	523,414,122	(276,726,950)	246,687,172
Change in unearned premium reserve	(21,617,950)	8,166,335	(13,451,615)
Earned premiums	501,796,172	(268,560,615)	233,235,557

	Year ended 31 December 2009 (SR)		
	Gross	Reinsurance share	Net
General insurance	315,085,172	(185,852,742)	129,232,430
Protection & Saving insurance	22,746,250	(3,542,747)	19,203,503
Written premiums	337,831,422	(189,395,489)	148,435,933
Change in unearned premium reserve	(48,299,677)	27,208,847	(21,090,830)
Earned premiums	289,531,745	(162,186,642)	127,345,103

27. General And Administrative Expenses

	Year ended 31 December 2010 SR		Year ended 31 December 2009 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Employees' costs	44,786,711	451,872	29,151,262	395,149
Provision for doubtful debts	6,729,159	-	14,337,072	-
Depreciation	1,939,294	-	2,851,635	-
Rent	2,944,088	-	2,395,693	-
Repair and maintenance	2,291,498	-	2,177,047	-
Consultation fees	1,697,910	-	1,894,127	3,432,129
Postage & telephone	1,369,786	-	900,370	-
Advertisement and promotion	678,521	-	732,164	-
Travel & transportation	226,235	-	519,461	-
Software maintenance	737,871	-	504,781	-
Board expenses	193,598	48,400	102,800	25,700
Incentive plan costs	554,006	-	327,260	-
Others	4,008,068	55,700	5,953,818	-
	68,156,745	555,972	61,847,490	3,852,978

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.

As at 31 December 2010 Amount in SR	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Policy holders' assets					
Due from shareholders	-	3,448,478	-	-	3,448,478
Unit linked investments	425,489,985	-	-	-	425,489,985
Premiums receivable	-	135,528,990	1,666,769	-	137,195,759
Reinsurance balances receivable	-	26,152,405	-	-	26,152,405
Cash & cash equivalents	-	2,655,673	-	-	2,655,673
	425,489,985	167,785,546	1,666,769	-	594,942,300
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	20,076,025
Investments	58,430,361	-	33,924,045	8,862,500	101,216,906
Cash & cash equivalents	-	39,642,047	-	-	39,642,047
	78,506,386	39,642,047	33,924,045	8,862,500	160,934,978

As at 31 December 2010 Amount in SR	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Policy holders' liabilities					
Employees end of service benefits	4,253,073	-	-	-	4,253,073
Mathematical reserve	426,301,924	-	-	-	426,301,924
Outstanding claims	-	80,365,070	-	-	80,365,070
Reinsurance balance payable	-	71,604,154	-	-	71,604,154
Accrued expenses & other payables	-	7,823,064	-	-	7,823,064
	430,554,997	159,792,288	-	-	590,347,285
Shareholders' liabilities					
Due to insurance operations'	-	3,448,478	-	-	3,448,478
Accrued expenses & other liabilities	-	117,326	-	-	117,326
Zakat payable	-	143,422	-	-	143,422
	-	3,709,226	-	-	3,709,226

As at 31 December 2009 Amount in SR	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Policy holders' assets					
Due from shareholders	-	24,873,121	-	-	24,873,121
Unit linked investments	33,460,107	-	-	-	33,460,107
Premiums receivable	-	109,772,466	37,320,058	-	147,092,524
Reinsurance balances receivable	-	7,292,956	-	-	7,292,956
Cash & cash equivalents	-	16,100,139	-	-	16,100,139
	33,460,107	158,038,682	37,320,058	-	228,818,847
Shareholders' assets					
Statutory deposit	10,076,025	-	-	-	10,076,025
Investments	3,223,078	-	-	8,798,513	12,021,591
Due from an Affiliate	-	15,593,759	-	-	15,593,759
Cash & cash equivalents	-	33,602,059	-	-	33,602,059
	13,299,103	49,195,818	-	8,798,513	71,293,434

As at 31 December 2009 Amount in SR	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Policy holders' liabilities					
Employees end of service benefits	1,732,560	-	-	-	1,732,560
Mathematical reserve	33,833,742	-	-	-	33,833,742
Outstanding claims	-	46,027,457	-	-	46,027,457
Reinsurance balance payable	-	91,620,964	-	-	91,620,964
Accrued expenses & other payables	-	18,201,848	-	-	18,201,848
Due to an affiliate	-	29,944,184	-	-	29,944,184
	35,566,302	185,794,453	-	-	221,360,755
Shareholders' liabilities					
Due to insurance operations'	-	24,873,121	-	-	24,873,121
Accrued expenses & other liabilities	-	3,322,855	-	-	3,322,855
Zakat payable	-	491,732	-	-	491,732
	-	28,687,708	-	-	28,687,708

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 balance sheet.

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 five premium receivable accounts constitute 17% of the same as at 31 December 2010 (2009: 24%).

The table below shows the maximum exposure to credit risk for the components of the balance sheet:

	As at 31 December 2010	
	SR	
	Insurance Operations	Shareholders' Operations
Premiums receivable	137,195,759	-
Reinsurance share of outstanding claims	47,930,883	-
Reinsurance balances recivable	26,152,405	-
Cash at bank	2,655,673	39,642,047
Statutory deposit	-	20,076,025
Investments	-	101,216,906
	213,934,720	160,934,978

	As at 31 December 2009	
	SR	
	Insurance Operations	Shareholders' Operations
Premiums receivable	147,092,524	-
Reinsurance share of outstanding claims	29,464,834	-
Reinsurance balances recivable	7,292,956	-
Cash at bank	16,100,139	33,602,059
Statutory deposit	-	10,076,025
Investments	-	12,021,591
Due from an affiliate	-	15,593,759
	199,950,453	71,293,434

d) Interest rate risk

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

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 2010. A hypothetical 100 basis points change in the weighted average interest rate of the floating rate at 31 December 2010 would impact interest income by approximately SR 90,000 (2009: 90,000) 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 its 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 5% 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 4,899,691 (2009: SR 439,926).

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 results 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 balance sheet 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 balance sheet date.

29. Basic And Diluted Loss Per Share

- a) The weighted average number of shares has been retrospectively adjusted for all prior periods to reflect the bonus element of the rights issue as required by IAS 33 "Earnings per share" as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Issued ordinary shares as at 1 January	10,000,000	10,000,000
Effect of rights issue of shares	-	7,200,000
Rights Issue	9,300,000	-
Weighted average number of ordinary Shares	19,300,000	17,200,000

The weighted average number of ordinary shares for prior periods is computed using an adjustment factor of 1.72 which is a ratio of the theoretical ex-rights price of SAR 44.13 and the closing price of SAR 75.75 per ordinary share on 3 April 2010, the last day on which the shares were traded before the rights issue.

- b) The basic and diluted loss per share is calculated as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Net loss for the year (SAR)	(8,353,734)	(22,418,061)
Weighted average number of ordinary share (Note 29a)	19,300,000	17,200,000
Basic and Diluted Loss per share – Restated (SAR)	(0.43)	(1.30)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

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 results and financial position.

31. SEGMENT INFORMATION

(a) Business segments

The class of insured risks for departmental (segment) purposes is as follows:

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

For the twelve months ended 31 December 2010	Motor	Engineering	Medical	Property	Protection & Saving	Other General	Shareholders' Fund	Total
	Saudi Riyals							
Gross written premiums	84,907,514	77,270,323	158,072,905	106,056,097	54,719,586	42,387,697	-	523,414,122
Reinsurance premium ceded	3,706,596	61,690,069	82,026,074	96,592,518	4,001,271	28,710,422	-	276,726,950
Net premiums earned	72,004,821	16,319,317	75,402,149	6,919,035	51,189,227	11,401,008	-	233,235,557
Unrealized gain on unit linked investments	-	-	-	-	1,825,888	-	-	1,825,888
Net claims incurred	(53,796,226)	(1,423,348)	(59,288,204)	(2,334,340)	(10,123,821)	(7,598,241)	-	(134,564,180)
Change in mathematical reserves	-	-	-	-	(26,782,943)	-	-	(26,782,943)
Commission (expenses)/income, net	(6,437,225)	1,335,816	(7,914,875)	2,314,092	(2,172,522)	630,790	-	(12,243,924)
Other underwriting expenses	(424,538)	(386,352)	(790,365)	(530,279)	(273,599)	(211,938)	-	(2,617,071)
Net underwriting results	11,346,832	15,845,433	7,408,705	6,368,508	13,662,230	4,221,619	-	58,853,327
Unallocated income	-	-	-	-	-	-	-	728,061
Unallocated expenses	-	-	-	-	-	-	-	(68,156,745)
Deficit from insurance operations	-	-	-	-	-	-	-	(8,575,357)
Commission income	-	-	-	-	-	-	777,595	777,595
General & administrative expenses	-	-	-	-	-	-	(555,972)	(555,972)
Net loss for the year								(8,353,734)

As at 31 December 2010	Motor	Engineering	Medical	Property	Protection & Saving	Other General	Shareholders' Fund	Total
	Saudi Riyals							
Assets								
Reinsurers' share of unearned premiums	154,536	55,961,540	12,017,527	37,198,041	1,004,225	8,988,654	-	115,324,523
Reinsurers' share of outstanding claims	1,686,455	14,604,294	603,647	21,477,659	129,300	9,429,528	-	47,930,883
Deferred policy acquisition costs	3,667,124	4,732,605	1,362,988	1,061,660	847,366	1,045,192	-	12,716,935
Unit linked investments	-	-	-	-	425,489,985	-	-	425,489,985
Unallocated assets	-	-	-	-	-	-	-	177,696,410
Shareholders' assets	-	-	-	-	-	-	162,079,222	162,079,222
Total assets								941,237,958
Liabilities								
Unearned premiums	34,639,618	61,960,385	23,227,656	42,440,558	1,330,118	14,175,485	-	177,773,820
Outstanding claims	15,097,252	15,594,710	7,727,442	24,383,796	738,676	16,823,194	-	80,365,070
Unearned commission income	26,767	7,152,317	-	2,337,633	159,273	1,361,641	-	11,037,631
Mathematical reserves	-	-	-	-	426,301,924	-	-	426,301,924
Unallocated liabilities	-	-	-	-	-	-	-	83,680,291
Shareholders' liabilities & equity	-	-	-	-	-	-	162,079,222	162,079,222
Total liabilities								941,237,958

For the twelve months ended 31 December 2009	Motor	Engineering	Medical	Property	Protection & Saving	Other General	Shareholders' Fund	Total
	Saudi Riyals							
Gross written premiums	62,756,092	71,954,846	103,201,743	58,796,903	22,746,250	18,375,588	-	337,831,422
Reinsurance premium ceded	2,212,205	65,942,398	56,998,155	52,097,822	3,542,747	8,602,162	-	189,395,489
Net premiums earned	45,039,735	5,621,590	44,452,232	5,004,402	18,705,810	8,521,334	-	127,345,103
Unrealized gain on unit linked investments	-	-	-	-	3,255,659	-	-	3,255,659
Net claims incurred	(39,029,988)	959,565	(28,774,243)	(1,532,965)	(3,838,121)	(1,277,357)	-	(73,493,109)
Change in mathematical reserves	-	-	-	-	(15,078,063)	-	-	(15,078,063)
Commission (expense)/income, net	(3,014,331)	4,488,897	(1,639,773)	2,051,413	(156,296)	152,124	-	1,882,034
Other underwriting expenses	(313,780)	(359,774)	(516,009)	(293,986)	(113,730)	(91,879)	-	(1,689,158)
Net underwriting results	2,681,636	10,710,278	13,522,207	5,228,864	2,775,259	7,304,222	-	42,222,466
Unallocated income	-	-	-	-	-	-	-	543,207
Unallocated expenses	-	-	-	-	-	-	-	(61,847,490)
Deficit from insurance operations	-	-	-	-	-	-	-	(19,081,817)
Total revenue – shareholders' operations	-	-	-	-	-	-	516,734	516,734
General & administrative expenses	-	-	-	-	-	-	(3,852,978)	(3,852,978)
Net loss for the year								(22,418,061)

As at 31 December 2009	Motor	Engineering	Medical	Property	Protection & Saving	Other General	Shareholders' Fund	Total
	Saudi Riyals							
Assets								
Reinsurers' share of unearned premiums	-	69,868,243	11,432,638	20,846,329	597,426	4,413,552	-	107,158,188
Reinsurers' share of outstanding claims	822,659	9,391,665	2,295	14,644,450	1,221,371	3,382,394	-	29,464,834
Deferred policy acquisition costs	1,905,285	1,200,682	873,946	494,115	17,368	520,317	-	5,011,713
Unit linked investments	-	-	-	-	33,460,107	-	-	33,460,107
Unallocated assets	-	-	-	-	-	-	-	204,153,646
Shareholders' assets	-	-	-	-	-	-	71,462,061	71,462,061
Total assets								450,710,549
Liabilities								
Unearned premiums	25,288,985	75,993,614	21,998,085	23,544,302	1,084,858	8,246,026	-	156,155,870
Outstanding claims	10,001,924	9,711,078	3,054,107	16,318,536	1,703,551	5,238,261	-	46,027,457
Unearned commission income	-	1,103,903	-	424,485	15,133	188,342	-	1,731,863
Mathematical reserves	-	-	-	-	33,833,742	-	-	33,833,742
Unallocated liabilities	-	-	-	-	-	-	-	141,499,556
Shareholders' liabilities & equity	-	-	-	-	-	-	71,462,061	71,462,061
Total liabilities								450,710,549

(b) Geographical segments

The Company during the year ended 31 December 2010, operated only in the Kingdom of Saudi Arabia.

32. Transfer of Insaudi Insurance Company's Assets & Liabilities

The General Assembly, held on 18 January 2009, unanimously approved the transfer of Insaudi Insurance Company (B.S.C)'s Saudi Arabian Insurance Portfolio (the Portfolio), effective 1 January 2009, with no goodwill. The approval was based on the SAMA letter dated 26 November 2008, notifying, organizing and approving the transfer of the Portfolio.

The Company's Board of Directors appointed both an independent Auditor and independent Actuaries to conduct the valuation of the Portfolio's related Assets and Liabilities as at 31 December 2008, in accordance with SAMA letter and the SAMA guidelines "program for Due Diligence and valuation of the existing insurance companies that write general and Protection & Savings insurance business", dated May 2007. The Auditors' and Actuaries' reports were submitted during the quarter ended March 31, 2009 and the Board of Directors in their meeting dated 7 April 2009 has finalised and approved the purchase agreement with the Insaudi Insurance Company, effective from 1 January 2009.

Accordingly, the Insurance Operations' Financial Position as at 1 January 2009 was adjusted to reflect the transfer of the following assets and liabilities balances as at 1 January 2009 from Insaudi Insurance Company:

	Adjusted values to the Company's financial Position as at 1 January 2009
Assets	
Cash & bank balances	10,048,313
Premium receivable	61,586,249
Reinsurance receivable	1,698,398
Prepaid expenses and other assets	1,769,134
Deferred policy acquisition cost	2,087,563
Investments	18,457,065
Office equipment and furniture	194,998
	95,841,720
Liabilities	
Reinsurance payables	35,778,680
Unearned premium	19,261,135
Reserve for investment linked insurance contracts	18,755,679
Outstanding claims, net	11,088,408
Unearned commission income	2,817,606
Accrued expenses	8,040,874
End of service benefit	99,338
	95,841,720
Goodwill on transfer	-

On 30 June 2009, the Company received a letter from SAMA (Ref: 929\IS\30 June 2009) confirming the transfer of the portfolio, subject to minor modifications. The impact of the modifications on the financial statements was an amount of SAR 513,079 increase in the provision for doubtful debts transferred from Insaudi Insurance Company to Allianz Saudi Fransi Cooperative Insurance Company. Such adjustment has been duly made by the Company.

33. Comparative Figures

Certain figures for the year ended 31 December 2009 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 13 Rabi Awal 1432 H, corresponding to 16 February 2011.