



His Royal Highness
**Prince Mohammad Bin Salman
Bin Abdulaziz Al-Saud**
Deputy Crown Prince, Second
Deputy Prime Minister And
Minister of Defense.



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



His Royal Highness
**Prince Mohammad Bin Nayef
Bin Abdulaziz Al-Saud**
Crown Prince, First Deputy Prime
Minister And Minister of Interior



By capitalizing on our global expertise and local knowledge, we have always been focusing on profitable development. Such goal can only be achieved by maximizing the market opportunities and expanding our services to better serve our customers' needs.

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Chairman's Statements

Dear Shareholders,

It is my privilege to present, on behalf of the Board of Directors, the 8th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2015.

By capitalizing on our global expertise and local knowledge, we have always been focusing on profitable development. Such goal can only be achieved by maximizing the market opportunities and expanding our services to better serve our customers' needs.

Our business model and balanced portfolio allowed us to generate overall positive development. This helped the Company to achieve a Net Profit - before zakat and tax - of SAR 23.8 Mn, the highest since the establishment of the Company in 2007. This profit represents a growth of 50% compared to 2014 and is a result of the efficiency of our underwriting policy as well as marketing and service initiatives that helped us attracting more profitable business.

Moreover, Allianz Saudi Fransi reinforced the distribution channels by restructuring branches, recruiting new talents and training current employees to further empower them. This allowed the company to be among the leaders in its targeted market segments being the P/C and the Protection and Saving businesses which supported the achievement of aforementioned results.

For 2016 we will continue following our profitable growth 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 and through easy access to customers by various channels of distribution and highly motivated employees.

We will therefore focus on reviewing our services and developing new ones with the aim to ensure that, throughout the organization, our offerings are truly customer centric. Technical excellence will remain at the forefront of our priorities, it is about understanding the risk customers are facing throughout their lives and offering the right product at the right price via the right channel. We will need therefore to ensure that digitalization capabilities are embedded into each and every approach so that smart and secure services can be offered.

All of this can only be achieved if we ensure on daily basis that our culture is the one where people and performance matter without excluding any one.

I would like to express my deepest gratitude to the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al-Saud; his Crown Prince and the Deputy Crown Prince 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. I take this opportunity to thank the Board of Directors, the Management and the Staff for their support and dedication.

Ammar Al Khudairy
Chairman

The Board of Directors' Report

The Board of Directors (BOD) of Allianz Saudi Fransi Cooperative Insurance Company has the pleasure to present to the shareholders, the Company's 8th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2015.

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

1. Introduction

Allianz Saudi Fransi Cooperative Insurance Company 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. In April 2010, the Company increased its capital through rights issue. The share capital of the Company became SAR 200 million consisting of 20 million shares. The ownership of Allianz Saudi Fransi's shares as of 31st December 2015 is as follows:

- 32.50% Banque Saudi Fransi (BSF)
- 16.25% Allianz France – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
- Within the remaining 35% public shareholders, the following owns more than 1% share:
 - 4.8% Ms. Hayfa Al Mhnaa
 - 3.0% Prince Badr Abdullah Al-Saud
 - 2.9% Royal Highness Prince Bander Al-Saud
 - 1.8% Royal Highness Prince Badr Al-Saud
 - 1.6% Sanad Investment Company

The Company has received its operational license (Ref: TMN/11/20083) from the Saudi Arabian Monetary Agency (SAMA) on 30/02/1429 H, 8th March 2008 and has successfully renewed it on 30/02/1432 H – 5th February 2011 and on 29/02/1435 H - 1st January 2014 for another 3 years period.

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 axes of development:

- Banque Saudi Fransi: to provide Retail and Corporate 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 keep investing strongly to develop those distribution channels with the aim to further develop its market position in Property, Casualty and Health Business as well as in Protection and Savings products.

Our Values are

Expertise, Integrity and Sustainability.

3. Allianz Saudi Fransi Key Dates and Developments

Allianz Saudi Fransi witnessed since its incorporation many significant developments:

2015

■ September

Mr. Sergio Balbinot, Member of Allianz SE Board of Management, Insurance Western & Southern Europe, Middle East, Africa, India visited the company.

■ October

The Company obtained from SAMA the Visitor insurance product approval. Claims Workflow launched in the H.O. and Branches

■ November

Launching the new strategic initiatives (Renewal Agenda).

■ December

The Company achieved the highest Net Profit - before zakat and tax since the establishment.

2014

■ January

The Company obtained from SAMA the renewal of its operational license for 3 years.

■ May

Mr. Ammar Al Khudairy appointed as new Chairman of the Company

■ September

D&O Liability and Medical Malpractice Insurance Products approved by SAMA

■ November

Mr. Oliver Bäte, Future CEO of Allianz SE (Effective 7th of May 2015) visited the company.

2013

■ January

Launched common workflow platform for all Sales Channels including Sales Support function.

■ August

Xavier Denys succeeded Antoine Issa as Chief Executive Officer.

2012

■ January

The Company restructured its Direct Sales Force for Retail Business as well as its branches.

■ August

The Company restructured its Corporate Sales Force to better serve corporate and commercial customers.

2011

■ February

The Company renewed its operational license from SAMA (Ref: TMN/11/20083) for another 3 years

■ June

The Company launched the Protection & Savings "Gold" Products Sharia Compliant

2010

■ April

The Company Completed its 10 million shares rights issue and the Capital became SAR 200 Million.

■ November

BSF Bancassurance Portfolio transfer was completed.

2009

■ January

Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009.

■ March

The individual Protection & Savings products approvals were received.

■ November

Banque Saudi Fransi Bancassurance Protection & Savings products approvals are received.

2008

■ March

The Operational License from SAMA (Ref: TMN/11/20083) was obtained.

■ September

The Company moved to the New Head Office in Riyadh and received its first products' approval.

■ November

SAMA approved the transfer of Insaudi portfolio subject to no goodwill.

2007

■ March

The Company went public through an Initial Public Offering.

■ June

The Constituting General Assembly was held.

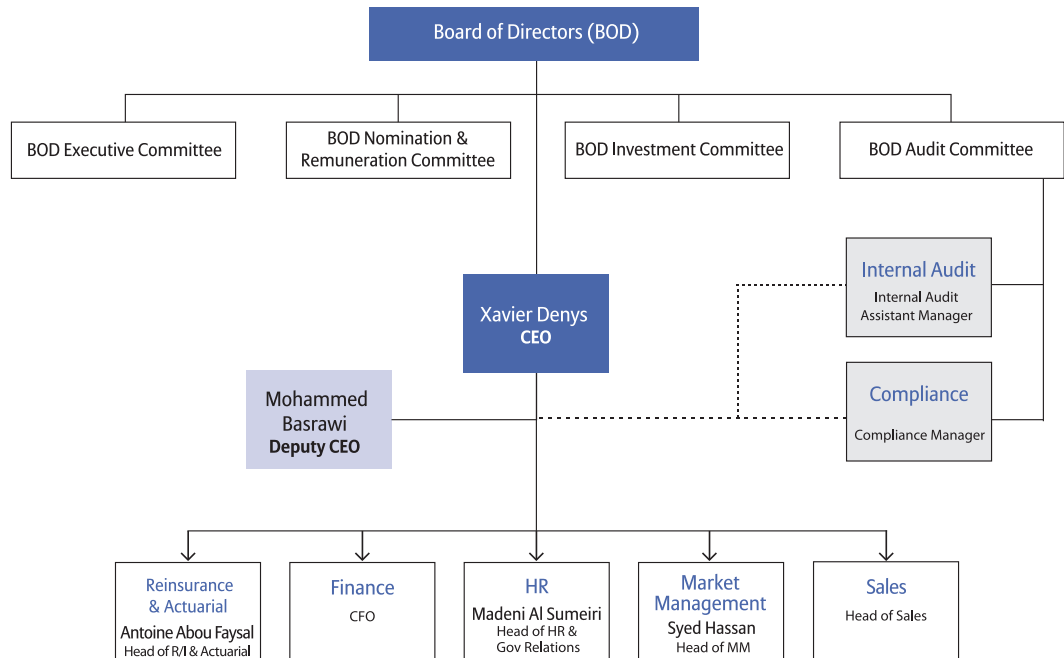
2006

■ October

The founders received the authorization to establish the Company as per Royal Decree No. 60/M

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2015 is shown here below:



5. Top Management

The members of the Top Management of the Company are:

Name	Position	Year of Birth	Latest Degree
Xavier Denys	Chief Executive Officer	1968	Masters of Commercial Engineering
Mohammed Basrawi	Deputy Chief Executive Officer	1957	Masters of Science, BA Civil Engineering,
Madeni Al Sumeiri	Head of HR & Gov. Relations	1963	Bachelor of Business Administration
Syed Hassan	Head of Market Management	1957	Masters of Science
Antoine Abou Faysal	Head of Reinsurance and Actuarial	1982	Bachelors Degree in Insurance and Actuarial Science

6. Human Resources

Our employees' exceptional commitment and willingness to provide excellent service to our customers are crucial to our success. We place great emphasis and investment on fostering outstanding leadership, continuous talent and personal development. Developing employees' potential is key in order to achieve our primary goal of being a reliable partner to our customers. In 2015 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2015 the percentage of Saudi nationals within the company represented %56.

7. Geographical Presence

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	Tel:	+966 (11) 874 9700
	P.O. Box 3540, Riyadh 11481	Fax:	+966 (11) 874 9799
Jeddah	Suite 102, 1st Floor, Ewan Center,	Tel:	+966 (12) 283 0229
	Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Fax:	+966 (12) 283 2589
Madinah	Office No. 501, 5th Floor, Abo Ouf Plaza Tower, Airport Road, Opposite to Badr Market	Tel:	+966 (14) 834 0627
		Fax:	+966 (14) 834 3788
Dammam	Business City Building, King Abdulaziz Street, Dammam, KSA	Tel:	+966 (13) 831 5600
		Fax:	+966 (13) 831 5609
Al Hassa	1st Floor, Al Harshan Tower, Dahran Road, Mubarraz – Al Shorufiyah District	Tel:	+966 (13) 531 4521
		Fax:	+966 (13) 582 8118

8. The Company's Products and Services

Allianz Saudi Fransi provides comprehensive insurance services to corporate and individual customers. With the General line of business (Property and Casualty insurance), Allianz Saudi Fransi embraces the entire spectrum of risk management supported by a diversified range of insurance products for corporate and individual customers. With the Protection, Savings and Health insurances, the company plays a leading role in the field of Employee Benefits schemes as well as in retail with Health, Retirement and Education savings plans.

Corporate Solutions	Individual Solutions	Bancassurance Solutions
Employee Benefits Group Protection & Health Workmen Compensation Group Personal Accidents (PA)	Protection & Savings Waad Al Ousra Gold (Protection) Waad Al Ajyal Gold (Education) Waad Al Isteqrar Gold (Retirement)	Protection & Savings Al Anjal (Education) Al Ghad (Retirement)
Engineering Contractors All Risks (CAR) Erection All Risks (EAR) Machinery Breakdown Electronic Equipment Boiler Pressure & Vessel Contractors Plant & Machinery		Protection & Savings (Takaful) Takaful Al Anjal (Education) Takaful Al Ghad (Retirement)
Property & Casualty Property All Risks Fire, Theft, Money Sabotage and Terrorism Motor Fleet	Property, Casualty & Health ASF Property & House Occupants Comprehensive ASF Motor ASF Health ASF Personal Accident ASF Travel	
Liability Fidelity Guarantee Comprehensive Crime Third Party Liability Public & Product Liability Public Liability Bankers Blanket Bond and Electronic and Computer Crime		
Marine & Cargo		
Credit Insurance		
D&O Insurance		
Medical Malpractice Insurance		

9. Financial Highlights

a) Gross Written Premiums

The Gross Written Premiums amounted to SAR 803.2 Million for the twelve months ended December 2015 against SAR 725.1 Million for the twelve months ended December 2014 showing an increase of 11%. The split per line of business is as follows:

SAR Million	2015	2014	2013	2012	2011
■ Property, Casualty & Health:	632.2	546.3	568.3	416.6	510.8
a) Motor:	199.0	155.2	153.5	85.1	86.3
b) Engineering:	107.2	116.6	152.9	75.6	69.4
c) Medical:	103.1	55.3	61.6	82.3	134.7
d) Other General:	222.9	219.2	200.3	173.6	220.4
■ Protection & Savings:	171.0	178.8	177.6	204.6	172.9

Property, Casualty and Health Gross Written Premiums increased by 15.7% compared to previous year (2014), while Protection & Savings Gross Written Premiums declined by 4.4% compared to previous year (2014).

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	2015	2014	2013	2012	2011
Central Region:	582.6	455.4	469.0	385.1	410.7
Western Region:	126.1	111.3	146.6	149.1	193.8
Eastern Region:	94.5	158.4	130.3	87.0	79.2

b) Net Premiums Earned

The Net Premiums Earned calculated after deducting the premiums ceded to reinsurers and the reserves for unearned premiums, amounted to SAR 388.2 Million for the twelve months ended December 2015 against SAR 420.6 Million for the twelve months ended December 2014.

Net Premium Earned declined by 7.7% compared to previous year 2014 due to the fact that an important part of the business of 2015 was produced in the second half of the year. Net Earned Premiums represents 48% of the Gross Written Premiums for the current year compared to 58% for the previous year.

c) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR 0.8 Million for the twelve months ended December 2015 against SAR (17.5) Million in 2014 due to the net impact of written premiums, Surrenders and revaluation of Unit Link Investments.

The unrealized gain on unit-linked investment related to Protection & Savings products amounted to SAR 0.7 Million for the twelve months ended December 2015 against SAR 9.4 Million in 2014.

d) Other Income

Other Income represents the income generated from the available for sale investments allocated to insurance operations, amounted to SAR 6.4 Million in 2015 against SAR 3.2 Million in 2014.

This is due to higher yield generated from the available for sale investments and to the return from strategic investment (Najem) which was nil in previous years.

e) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (278) Million for the twelve months ended December 2015 against SAR (316.7) Million for the twelve months ended December 2014, representing a decrease of 12.3%.

This is mainly driven by excellent performance of our P&C business with a net loss ratio of 63.6% in 2015 compared to 74.2% in 2014.

f) Net Commissions

The commissions paid to producers, net of the commissions received from reinsurers amounted to SAR (20.1) Million for the twelve months ended December 2015 against SAR (18.2) Million for the twelve months ended December 2014.

This is mainly due to the decrease in the amount of reinsurance commission earned from SAR 21.9 Million in 2014 to 18.8 Million in 2015.

g) General Expenses

The Company has incurred during 2015 insurance operations expenses of SAR (75.6) Million, against insurance operations expenses of SAR (68.8) Million during 2014. In addition, the Company incurred during 2015 expenses of SAR (0.8) Million allocated to the shareholders operations against expenses of SAR (0.7) Million during 2014.

This hike is due to the normalization of expenses in 2015 after the extra ordinary cost control measures taken during the second half of 2014.

h) Net Surplus from insurance operations (Operating Results)

The technical result before shareholder investment income and before shareholder general expenses is showing a Net Surplus of SAR 22.5 Million for the twelve months ended December 2015 against a Net Surplus of SAR 12.9 Million for the twelve months ended December 2014, representing an increase by 74% of that result.

This is owed to the excellent performance in the general insurance lines of business with a combined ratio of 92.9% as of December 31, 2015 compared to 97.2% as of December 31, 2014 driven by the decrease in net incurred claims by 12.3%. The major development in terms of incurred claims was mainly in motor business where the incurred claims in 2015 amounted to SAR 118.3 million vs. SAR 158.9 million in 2014.

Note: The operating result announced on Tadawul represents the operating results explained above and amounting to SAR 22.5 Million, minus the revaluation of the policyholders' investments amounting to SAR 0.7 Million in 2015 & SAR 9.4 Million in 2014.

This is done only to comply with the announcement requirements on Tadawul and does not reflect the actual operating results.

i) Investments

The Company investments excluding investments from unit-linked Protection & Savings products as of December 2015 are summarized here below.

SAR Million	2015	2014	2013	2012	2011
Cash & cash equivalents:	56.8	68.6	52	33.3	74.6
Sukuk/Funds:	226.6	213.5	183.9	172.1	127.0
Subscription in Najm & NextCare Companies:	3.2	3.2	3.2	3.2	3.2
Held to maturity	-	-	-	-	-

The investment income excluding unrealized gain on investments from unit-linked Protection & Savings products and excluding Other Income amounted to SAR 7.4 Million as of December 2015 against SAR 6.4 Million as of December 2014. The shareholders' share of the investment income is SAR4.5 Million as of December 2015 compared to SAR 5.0 Million as of December 2014.

j) Net Income before Zakat and Tax

The result for the twelve months ended 31st December 2015 (the 8th fiscal year) is a Net Income before zakat & tax of SAR 23.8 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 2.2 Million against a Net Income of SAR 15.9 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 1.3 Million for the twelve months ended 31st December 2014. This increase in Net Income is driven by the excellent operating result which is explained above in paragraph (h). The earnings per share as of December 2015 are equivalent to SAR 1.19 against SAR 0.79 as of December 2014.

k) Assets

The total Assets of the Company as of 31st December 2015 amounted to SAR 1,908.3 Million split as follows:

SAR Million	2015	2014	2013	2012	2011
Insurance Operations' Assets	1,692.4	1,536.1	1,295.1	949.3	911.0
Shareholders' Assets	215.9	195.5	180.4	171.4	163.8

l) Shareholder's Equity

The Shareholder's Equity as of 31st December 2015 amounted to SAR 200.9 Million, split as follows:

SAR Million	2015	2014	2013	2012	2011
Share Capital	200.0	200.0	200.0	200.0	200.0
Accumulated Losses	(19.5)	(38.1)	(49.6)	(58.4)	(65.6)
Other Reserves	20.4	22.9	22.5	25.3	23.6

The share premium included in the other Reserves remained constant at SAR 22.7 Million.

The Company confirms that it does not have any loans as of 31st December 2015.

m) Profit Distribution Strategy

As stated in the articles of association of the Company, article 44, shareholder's profits shall be distributed in the following way:

- Zakat & Tax allocations are to be withheld.
- As per bylaws of the Company, the company shall allocate 20% of the Net Income of each period to the statutory reserve. The Company has not transferred any amounts to the statutory reserve due to accumulated losses as of 31st December 2015.
- 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 Saudi Fransi will distribute on a yearly basis 10% of the annual Net Surplus arising from its insurance operation to the policyholders in accordance with the rules and regulations applicable to cooperative insurance companies. This 10% of 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 2015, the company is having a Net insurance operations surplus after shareholders' appropriation of SAR 2.2 Million.

n) Financial highlights

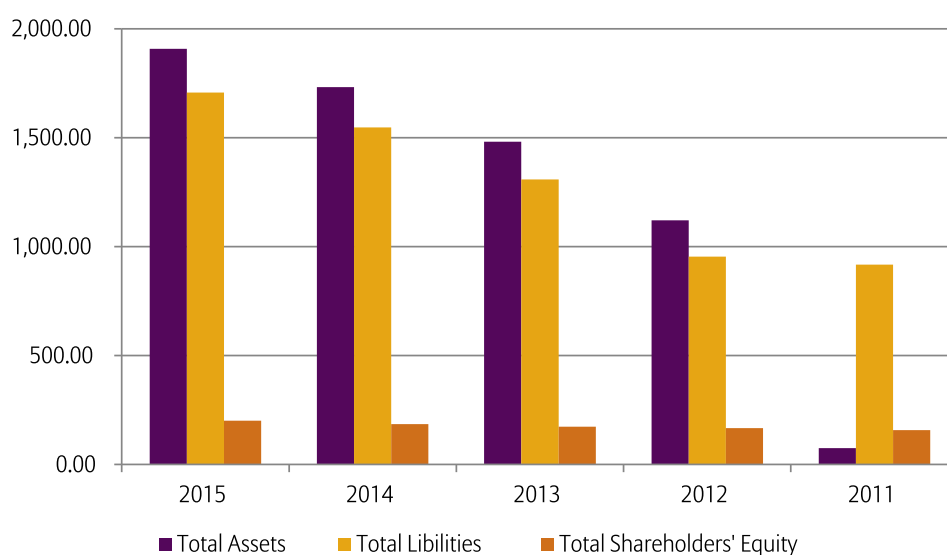
The following is a summary of the most important indicators for the past five years:

SAR Million	2015	2014	2013	2012	2011
Gross Written Premium	803.2	725.1	745.9	621.2	683.7
Net Premium Earned	388.2	420.6	354.5	351.8	354.7
Mathematical Reserve Change	0.8	(17.5)	(41.7)	(61.8)	(46.3)
Unrealized gain on UL	0.7	9.4	15.0	7.4	0.8
Other Income	6.4	3.2	1.8	1.1	1.2
Net Incurred Claims	(278)	(316.7)	(233.0)	(203.5)	(221.4)
Net Commissions	(20.1)	(18.2)	(9.2)	(8.9)	(13.8)
Premium Deficiency Reserve	-	0.9	(0.9)	-	-
General Expenses Insurance operations	(75.6)	(68.8)	(77.2)	(80.0)	(75.5)
Net Surplus for the year	22.5	12.9	9.3	6.1	(0.3)
Net insurance operations surplus after shareholders' appropriation for the year	(2.2)	(1.3)	(0.9)	(0.6)	-
Net Investment Income Shareholders	4.5	5.0	5.2	5.4	2.2
General Expenses Shareholders	(0.8)	(0.7)	(0.8)	(0.6)	(0.3)
Net Income – Profit *	23.8	15.9	12.8	10.3	1.6

* After surplus distribution, before Tax and Zakat.

Balance Sheet "SAR Million"	2015	2014	2013	2012	2011
Total Assets	1,908.3	1,731.6	1,480.8	1,120.7	074.8
Total Liabilities	1,707.4	1,546.8	1,307.9	953.8	916.8
Total Shareholders' Equity	200.9	184.8	172.9	166.9	158.0

Balance Sheet "SAR Million"



10. Corporate Governance, Regulations & Committees

a) Compliance with Corporate Governance

In 2015, Allianz Saudi Fransi was in full compliance with the CMA corporate governance regulations and SAMA guidelines except in the following minor issue:

CMA guidelines suggest practicing a cumulative voting mechanism for the General Assembly decisions. However, the Company follows the Ministry of Commerce regulations in this regard; resolutions of all General Assemblies and Board of Directors meetings shall be adopted by simple majority vote of the members present in person or by proxy who are entitled to vote at such meeting.

Certain paragraphs from the CMA regulations (listed below), are not applicable and accordingly no further disclosure is required on the related topics:

- Article 43 of the listing rules paragraphs (7),(8),(13),(14),(15), and (19)
- Article 6 of the Corporate Governance Regulations paragraph (d)

b) Board of Directors

At the Ordinary General Assembly held on 29 April 2013, for a new Board of Directors have been elected effective as of 08 August 2013 for a period of three years:

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

Name of the Board Members	No. of Shares beginning of year**	No. of Shares end of year**	Change in No. of Shares	Board Member	Rep.	Member Classification
Ammar Alkhudairy,	1,000	1,000	Nil	Banque Saudi Fransi		
Chairman				Amwal Al Khaleej	Public	Non Executive*
				Al Hokair Company		
Alwaleed Al Dryaan	1,000	1,000	Nil	Alkhaleej Training & Education Co.	Public	Independent
				Arabian Cement		
Abdulrahman Al Sughayer	Nil	Nil	Nil	Banque Saudi Fransi	BSF	Non Executive
Patrice Couvignes	Nil	Nil	Nil	Banque Saudi Fransi	BSF	Non Executive
Hugues de Roquette Buisson	Nil	Nil	Nil	To Be Confirmed	Allianz France	Non Executive
				Bajaj Allianz Life,		
Heinz Dollberg ***	Nil	Nil	Nil	Bajaj Allianz General,	Allianz MENA	Non Executive
				Allianz Lanka Limited,	Holding	
				Allianz EFU, Allianz	Bermuda	
				Life Indonesia, Allianz		
				C.P., Allianz China Life		

* The Chairman was independent at the time of his appointment as Board Member of Allianz Saudi Fransi.

** Owned by Board of Directors, their spouses or their children in Allianz Saudi Fransi.

*** Resigned effective from 5th Jan. 2016.

Members of the Top Management		X. Denys	M. Basrawi	M. Sumeiri	S. Hassan	A. Abou Faysal
Number of Shares *	beginning of year	Nil	Nil	Nil	Nil	Nil
	End of year	Nil	Nil	Nil	Nil	Nil

* Owned by the Top Management, their spouses or their children in Allianz Saudi Fransi.

c) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of Board Members and Top Executives (including the CEO, his Deputy, CFO, Head of Human Resource and Head of Market Management) during the 8th fiscal year ending 31st December 2015 were:

SAR	2015				2014			
	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 5 Exec	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 7 Exec
Salaries & Remunerations		-		3,624,244		-		4,280,641
Allowances / Attendance fees	25,500	105,00	-	529,945	25,500	90,000	-	688,040
Bonuses	-	-	-	1,439,898	-	-	-	1,580,281
Other Expenses	-	49,604	-	-	-	137,437	-	-
Other Benefits*	-	-	-	228,131	-	-	-	259,563
Total	25,500	154,604	-	5,822,217	25,500	227,437	-	6,808,526

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

** Including Chairman

Furthermore, one Top Executive received an advance from the Company during November 2015 amounting to SAR 100,000 with a last payback installment due in October 2016.

Subject to the approval of the General Assembly, the 2015 annual Remunerations of the Board Members to be paid in 2016 are distributed as follows:

Name of the Board Members	Member Classification	2015	2014
		Subject to the Approval of the upcoming GA	Approved by Shareholders
Ammar Alkhudairy, Chairman	Non Executive	180,000	108,743
Alwaleed Al Dryaan	Independent	120,000	72,495
Abdulrahman Al Sughayer	Non Executive	120,000	72,495
Patrice Couvignes	Non Executive	120,000	72,495
Hugues de Roquette Buisson	Non Executive	120,000	72,495
Heinz Dollberg	Non Executive	120,000	72,495
Total	-	780,000	471,218

d) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2015 there was no contract in which the Company was a party and it's Chief Executive Officer, Chief Financial Officer, Board Members 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 Saudi Fransi waived their interests or rights to receive dividends.

The Related-Party transactions and balances of shareholders and related affiliates during 2015 are related to the following activities:

Related Party	Relation Nature	Amount "SAR	Period	Description
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrhman Al Sughayer & Mr. Patrice Couveignes	594,978,798	N.A	Portfolio Asset management based on best quotes provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrhman Al Sughayer & Mr. Patrice Couveignes	250,116,762	N.A	Banking & Asset Custody balances. The relation is based on best quotes & services provided by the bank.
Bank Saudi Fransi and its related affiliates	Bank Saudi Fransi owns 32.5% in AzSF and is represented in the board of Directors by Mr. Abdulrhman Al Sughayer & Mr. Patrice Couveignes	70,825,634	Annual	Insurance contract mainly in Motor & Life based on best quotes provided by the company
Allianz Group & its affiliates	Allianz France owns 16.25% & is represented by Mr. Hugues de Roquette-Buisson. Allianz MENA Holding Bermuda owns 16.25% & is represented by Mr. Heinz Dollberg	133,918,675	Annual	Reinsurance contracts based on best quotes provided by Allianz entities.
Nextcare	Allianz Saudi Fransi is a shareholder in Next Care Saudi Arabia	2,535,263	N.A	Claims Management "Medical"

e) Regulatory Status

The Company enjoys a healthy relationship with the Regulators and appreciates their continuous support and guidance.

f) BOD Committees

BOD Executive Committee

The BOD Executive Committee is responsible for providing recommendations to the Board on various issues including the strategy and business plans. Its primary objective is to oversee the day-to-day performance of the Company and to provide support and guidance to the CEO.

Main responsibilities include:

- Representing the Board of Directors in day-to-day management
- Supervising the organization of the Board's meeting
- Executing the Board's decisions in accordance with the CEO and the Company's management
- Proposing/setting up the general company policy, objectives and strategy
- Studying the budget and following up the performances and achievements versus the plan
- Undertaking and supervising the progress of the operation and project's development

The Committee comprises the following members:

BOD Executive Committee	As of 31 Dec 2015
Patrice Couveignes	Chairman
Heinz Dollberg	Member
Abdulrahman Al Sughayer	Member
Hugues de Roquette-Buisson	Member

The BOD Executive Committee met six times during 2015 with 75% attendance (96% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
18/02/2015	Patrice Couvignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	75%	100%
29/04/2015	Patrice Couvignes, Hugues de Roquette-Buisson, Heinz Dollberg.	75%	100%
18/06/2015	Patrice Couvignes, Heinz Dollberg, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	100%	100%
15/07/2015	Abdulrahman Al Sughayer, Heinz Dollberg, Hugues de Roquette-Buisson.	75%	75%
19/10/2015	Patrice Couvignes, Heinz Dollberg.	50%	100%
30/11/2015	Abdulrahman Al Sughayer, Patrice Couvignes, Heinz Dollberg.	75%	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 Saudi Fransi's control environment and risk management processes.

Duties and responsibilities of the Audit Committee include the following:

- Develop a detailed plan stating its roles, responsibilities and mandate, provided that the plan is approved for implementation by a Board decision.
- Submit recommendations to the Board to a) approve the appointment or reappointment, dismissal and remuneration of external auditors, b) appoint the manager of the compliance control department or the compliance officer, c) appoint the manager of the internal audit department or the internal auditor, d) appoint the actuary. Above-mentioned recommendations require having obtained SAMA's no-objection in writing.
- Supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it.
- Ensure the independence of the a) external auditors from the Company, the Board members and the senior management of the company, b) internal audit department or the internal auditor in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work, c) compliance control department or the compliance officer in performing their tasks and ensure that there are no restrictions on their scope of work or any impediments that might negatively affect their work.
- Ensure the Company's compliance with the actuary suggestions and recommendations.
- Determining the monthly salary and bonus of the compliance control department manager or the compliance officer after obtaining the Board's written approval.
- Determining the monthly salary and bonus of the internal audit department manager or the internal auditor after obtaining the Board's written approval.
- Reviewing the audit plan of the internal and external auditors.
- Reviewing the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.
- Coordinating between internal and external auditors.
- Supervising the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- Reviewing the external auditors reports and reports of the internal audit department or the internal auditor and submits the related recommendations to the Board.
- Pursues the implementation of the corrective measures in respect of the comments included in the reports.

- Reviewing the reports of the compliance control department or the compliance officer including any high risk for fraud findings and submits the related recommendations to the Board.
- Reviewing the actuary reports and submits the related recommendations to the Board.
- Reviewing the comments of SAMA and the related supervisory and control entities and submits the related recommendations to the Board.
- Reviewing the internal and external auditors' assessment of the internal control Saudi Arabian Monetary Agency Insurance Supervision Department processes.
- Assessing the competence level, efficiency and objectivity of the external auditors, the internal audit department or the internal auditor, and the compliance control department or the compliance offer.
- Following up on the reports issued by SAMA and the related supervisory and control entities in addition to any international developments such as the guidelines of the International Association of Insurance Supervisors and submits the related recommendations to the Board.
- Reviewing the annual and quarterly financial statements and recommend it to the Board of Directors after discussing it with the external auditors and the company's management.
- Reviewing the external auditor's comments on the financial statements and follow up actions taken about them.
- Following up on the important lawsuits filed by or against the company and submits the related periodic reports to the Board.
- Ensure that all financial transactions are according to the local rules and regulations.
- The Audit Committee members are accountable to SAMA, the Company's shareholders and the Board for implementing the articles of SAMA's "Audit Committee Regulation in Insurance and/or Reinsurance Companies" and executing the committee's action plan issued by a Board's decision.
- The committee members should, while performing their tasks, give priority to the company's interest against any other considerations that might affect their work or decisions.

The Committee comprises the following members:

BOD Audit Committee	As of 31 Dec 2015
Hugues de Roquette Buisson	Chairman
Yousef Al Mobarak	Member
Mohammed Al Shawabkeh*	Member

* Appointed on 5th October 2015 by the Board of the Company after receiving No objection from SAMA.
The Committee's Chairman is a Non- Executive board member.

The Audit Committee met seven times during 2015 with 76% attendance (76% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
19/01/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
18/02/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
13/04/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
29/04/2015	Hugues de Roquette-Buisson, Mohammed AlShawabkeh.	67%	67%
14/07/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
14/10/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak, Mohammed AlShawabkeh.	100%	100%
09/12/2015	Hugues de Roquette-Buisson, Yousef Al Mobarak, Mohammed AlShawabkeh.	100%	100%

There is no financial or family relationship between the BOD members and the Audit Committee.

The above Audit Committee meetings covered the following major tasks:

- Met with the external auditors to discuss their Management Report and recommendations.
- Reviewed and recommended the quarterly and annual financial statements and reports, including the Actuary and Risk management reports and the external auditors' reports and submitted the recommendations to the Board of Directors.
- Reviewed the Internal Audit Plan 2015 and 5-years long term Audit Plan.
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.

- Reviewed the Compliance Activity Reports including the findings and corrective actions as well as complaints and legal cases.
- Reviewed the Compliance Plan.
- Reviewed the activities of the Internal Auditors and Compliance Team and ensured their independency.
- Updated the Internal Audit Manual and Procedures, added tasks & responsibilities in particular to the charter, and submitted same to the Board of Directors for approval.
- Reviewed important correspondences with authorities including their comments and submitted related actions to the Board of Directors.
- Reviewed external contracts including external auditors, lawyer and consulting actuary and recommended the approval of the contracts to the Board of Directors.
- Reviewed the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.

The Internal Audit Department has performed 20 missions (5 regular and 15 ad-hoc) during 2015 and has issued the corresponding reports including recommendations and agreed actions. These missions have covered most of the procedures in various company departments including Operations, Finance, Human Resources, Sales, Market Management and Reinsurance & Actuarial as well as subunits. The Audit Mission Reports did not show any significant or high risk findings but improvements needed that are already solved or under the process of completion as per the agreed time frame. The reports and implementation progress are regularly reviewed by the Audit Committee.

The Company has also implemented a Governance, Risk and Control Committee (GRC) mainly responsible for monitoring the activities of the Company related to Governance, Risks, Audit, Compliance, Anti Money Laundry, Anti Fraud, Code of Conduct and Anti Corruption. The GRC is purely an internal committee that is not derived from the BOD. It comprises of Top Management members, Risk Officers and the Internal Audit Team. The GRC met once during 2015 and the outcome did not show any major weakness but regular improvements needed that are already addressed or under completion.

The internal controls have been effectively implemented and the Audit Committee is regularly reviewing the outcome of the internal audit on those controls. No significant deficiencies have been noted.

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 SAMAs regulations.

Duties and responsibilities of the Investment Committee include:

- Assess the investment recommendation made by the top management
- Prepare and review the investment policy of the Company on a regular basis
- Set the investment strategy in accordance with the investment policy approved by the BoD
- Ensure the proper implementation of the investment policy/strategy
- Establishing and reviewing Investment guidelines for the Company
- Establishing and reviewing quality criteria for the Company's investment strategy
- Establishing and reviewing guidelines for the Company's portfolio structure
- Reviewing the Financial markets' analysis prepared by the Investment department and the asset manager
- Investment income and performance review against the plan

The Committee comprises the following members:

BOD Investment Committee	As of 31 Dec 2015
Abdulrahman Al Sughayer	Chairman
Alwaleed Al Dryaan	Member
Heinz Dollberg / Hugues de Roquette-Buisson	Member

The investment committee met one time during 2015 with 67% attendance (67% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
19/10/2015	Alwaleed Al Dryaan, Hugues de Roquette-Buisson	67%	67%

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 in accordance with the approved policies and standards. The Committee shall ensure that no person who has been previously convicted or any offense affecting honor or honesty is nominated for such membership.
- Review the structure of the Board of Directors and recommend changes.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in the Board of Directors.
- Determine strengths and weaknesses in the BOD and recommend remedies.
- Prepare description of required capabilities and qualifications for membership in the BoD, including the time that a Board member should reserve for the activities of the Board
- Carve clear policies regarding the indemnities and remuneration of the Board Members and Top Executives; in laying down such policies, the standards related to performance shall be followed
- Approve and evaluate the compensation plans, policies and programs of the Company

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

BOD Nomination & Remuneration Committee	As of 31 Dec 2015
AlWaleed Al Dryaan	Chairman
Abdulrahman Al Sughayer	Member
Heinz Dollberg	Member

The N&R committee met three times during 2015 with 78% attendance (89% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
28/01/2015	Alwaleed Al Dryaan, Abdulrahman Al Sughayer	67%	100%
16/02/2015	Alwaleed Al Dryaan, Heinz Dollberg, Abdulrahman Al Sughayer.	100%	100%
30/04/2015	Alwaleed Al Dryaan, Heinz Dollberg.	67%	67%

The above N&R committee meetings covered the following major tasks:

- Reviewed the new Board members qualifications and profiles
- Reviewed the remuneration of Board Members that remained unchanged as well as the Independent Members and submitted the recommendations to the Board of Directors.
- Reviewed the remuneration of Top Executives for 2015 as well as the remuneration adjustment mechanism and amounts for the Company and discussed same with the BOD for approval.

- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the remuneration and employee benefits
- Reviewed the updates on the Company structure as well as the recruitment of new executives and key positions.
- Consistently monitored the Saudization status.
- Policy and Procedure for ASF Appointments to Senior Positions.

g) BOD Meetings

The BOD met five times during the year ended 31st December 2015 with attendance of 74% (100% with proxies).

BOD #	Date	Attendance	Percentage	Percentage with Proxy
34	18/02/2015	Ammar Alkhudairy, Abdulrahman Al Sughayer, Patrice Couveignes, Hugues de Roquette-Buisson.	67%	100%
35	30/04/2015	Ammar Alkhudairy, Heinz Dollberg, Patrice Couveignes, Hugues de Roquette-Buisson.	67%	100%
36	15/07/2015	Ammar Alkhudairy, Heinz Dollberg, Patrice Couveignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer, Alwaleed Al Dryaan.	100%	100%
37	19/10/2015	Ammar Alkhudairy, Heinz Dollberg, Patrice Couveignes, Alwaleed Al Dryaan.	67%	100%
38	30/11/2015	Ammar Alkhudairy, Heinz Dollberg, Patrice Couveignes, Hugues de Roquette-Buisson, Abdulrahman Al Sughayer.	84%	100%

The above BOD meetings covered the following major tasks:

- Regularly analysed the Company performance and achievement versus plan including analysis of market information and Company Strategic positioning.
- Reviewed and approved the quarterly and annual financial statements based on the audit committee recommendations (Q4 2014 and Q1 2015 approved by circulation).
- Approved the Reinsurance Strategy for the year including the modification of terms.
- Approved the recommendations of the Nomination & Remuneration Committee concerning the Company Structure, the remuneration and bonuses of top executives as well as the remunerations and bonuses for the Company.
- Approved the strategy and the business plan for the following years.
- Discussed Human Resources and Talent Management.
- Approved the updates on the Company Manuals and Procedures following the Committee recommendations; during 2015 those updates mainly referred to Corporate Governance.
- Approved the recommendations of the Committees regarding external contracts including external auditors, tax consultant, legal consultant and external appointed actuary noting that the company doesn't have any other management or technical agreement.
- Followed the activities of the various Committees including the Executive Committee, the Audit Committee, The Investment Committee and the Nomination & Remuneration Committee.
- Updated the Nomination & Remuneration Committee Charter.
- Approved the new policy related to the Appointment to Senior Positions Policy & Procedure.

h) Risk Management

During 2015, Allianz Saudi Fransi 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.

The Risks are mentioned here below:

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 reputational 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.

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.

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.

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.

Currency Exchange Risk

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

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 limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets.

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.

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.

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.

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.

k) Zakat, Legal Payments, and Loans

Allianz Saudi Fransi allocated SAR 5,255,887 for Zakat and Tax in 2015 against SAR 4,363,308 allocated in 2014. There were no loans by the Company.

The following table shows a list of legal expenses for the year ended December 31st, 2015 (The amounts charged in 2015 & the related paid amounts as at December 31st, 2015).

SAR Million	2015		2014	2013	2012	2011
	Paid	Charged	Charged*			
Customs Expenses	-	-	-	-	-	-
Zakat & Tax	-	5.2	4.4	4.0	3.0	1.8
GOSI Expenses	3.6	2.5	2.5	2.3	2.0	1.8
Visa & Passports	0.4	0.4	0.3	0.4	0.4	0.7
Inspection & Supervision Fees	2.8	4.0	4.2	4.3	3.9	4.7
Total	6.8	12.1	11.4	11.0	9.3	9.0

*Charged amounts represent the amounts due as at December 31st 2015, plus any amounts paid related to 2015, in other words it is the gross amounts expensed for the year ended December 31st, 2015 (Paid and Due).

11. Future Plans

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

Direct Sales Force: In 2016, the Company will focus on growth in terms of number of sales people as well as points of sales. The Company will therefore expand its reach to various customer segments and continue to provide training to the sales force in order to ensure high level of service quality.

Bancassurance: In 2016, the focus of the Company will be on further improving the productivity of the Bancassurance agency and corporate business by leveraging the strong relations of our partner Banque Saudi Fransi with its corporate and commercial client base.

Corporate: Corporate Business continues to remain a priority of the Company. In 2016, the Company will further increase the number of preferred Brokers and focus on global business lines such as credit insurance.

Digitalization & Automation: In 2016 Digital initiatives will be streamlined to enhance customer satisfaction and ensure a better customer experience, which should contribute to increasing the persistency of the portfolio.

Motor and Health Profitability and development: In line with its Risk Strategy for 2016, the Company will continue to apply high-level technical standards and guidelines. It will review profitability per Line of Business and adjust the pricing strategy accordingly. Furthermore, the Company will ensure sound and prudent technical reserving practices.

Talent Management: During 2016 the company will continue its investments in human resources to attract and develop young talents and prepare future managers. The company builds on defining career paths and training programmes to achieve satisfaction and effectiveness among all employees.

12. External Independent Auditors and Accounting Standard

In 2015, the Ordinary General Assembly approved the BOD recommendation of renewing “Aldar” and appointment of “KPMG” as joint external auditors for the fiscal year ended 31st December 2015. The external auditors mandate has been renewed as per the board approval following biddings submitted by 5 firms, as well as the company’s General Assembly approval.

The financial statements as at 31st December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and not in accordance to the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by the Saudi Organization of Certified Public Accountants (SOCPA).

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 2015 and the result of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

13. Shariah Committee

The Company has a Shariah Committee composed of:

Sheikh Dr. Muhammad A. Elgari

Sheikh Abdullah Al Manea

Sheikh Dr. Abdul Sattar AbuGhuddah

The committee reviews and approves Shariah Compliant Protection & Savings products of the Company.

14. Board of Directors Declaration

The Board of Directors confirms the following:

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



Allianz Saudi Fransi Cooperative Insurance Company

Financial Statement

Together with the
Independent Auditors' Report
For the year ended 31 December 2015

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 Allianz Saudi Fransi Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015, and the related statements of income - insurance operations and shareholders' operations, statements of comprehensive income - insurance operations and shareholders' operations for the shareholders' equity and statements of cash flows - insurance operations and shareholders' operations for the year then ended and the notes 1 to 32 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the International Financial Reporting Standards, 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:

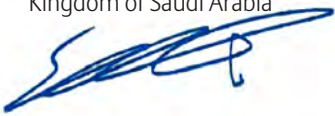
In our opinion, the financial statements taken as a whole:

- Present fairly, in all materials respects, the financial position of the Company as at 31 December 2015 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 as issued by the Saudi Organization for certified public accountants.

KPMG Al Fozan & Partners
Certified Public Accountants
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia



Abdullah Hamad Al Fozan
Certified Public Accountant
License No. 348



Aldar Audit Bureau
Abdullah Al BaSARi & Co
P.O. Box 2195
Riyadh 11451
Kingdom of Saudi Arabia



Abdullah M. Al BaSARi
Certified Public Accountant
Registration No. 171



29 Rabia II 1436H
18 February 2015

Statement of Financial Position

As at 31 December 2015

	Note	2015 SAR	2014 SAR
Insurance Operations' Assets			
Cash and cash equivalents	6	55,244,050	62,981,132
Prepayments and other assets	7	12,589,673	14,321,740
Reinsurance balances receivable	8(a)	29,468,288	39,406,041
Premiums receivable	9	291,417,048	233,013,943
Available for sale investments	10(a)	59,303,915	66,290,823
Unit linked investments	11	586,968,627	587,082,779
Deferred policy acquisition costs	12	21,958,291	13,837,659
Reinsurers' share of unearned premiums	19	258,240,391	196,712,050
Reinsurers' share of outstanding claims	16	375,507,934	320,423,288
Property and equipment	13	1,776,096	2,104,837
Total Insurance Operations' Assets		1,692,474,313	1,536,174,292
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	1,565,454	5,705,081
Prepayments and other assets	7	2,508,050	569,613
Due from insurance operations		23,915,601	18,687,760
Available for sale investments	10(b)	167,391,371	150,416,786
Statutory deposit	14	20,476,815	20,076,025
Total Shareholders' Assets		215,857,291	195,455,265
Total Insurance Operations And Shareholders' Assets		1,908,331,604	1,731,629,557

The accompanying notes 1 to 32 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Ammar Alkhudairy



Chairman

Mohammed Koubar



Finance Manager

Statement of Financial Position

As at 31 December 2015

	Note	2015 SAR	2014 SAR
Insurance Operations' Liabilities And Surplus			
Accrued expenses and other liabilities	15	38,140,389	19,674,465
Reinsurance balances payable	8(b)	137,306,805	188,838,218
Due to shareholders' operations		23,915,601	18,687,760
Outstanding claims	16	447,928,965	401,786,753
Unit linked liabilities	17	592,851,492	593,623,912
Unearned commission income	18	15,230,473	12,295,482
Unearned premiums	19	422,585,925	288,864,252
Employees' end of service benefits	20	11,786,168	10,063,959
Total insurance operations' liabilities		1,689,745,818	1,533,834,801
Insurance Operations' Surplus			
Accumulated surplus		5,084,834	2,837,296
Fair value reserve for available for sale investments	10(a)	(2,356,339)	(497,805)
Total insurance operations' liabilities and surplus		1,692,474,313	1,536,174,292
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Accrued expenses and other liabilities	15	662,513	124,824
Zakat and income tax payable	21(c)	14,271,442	10,552,927
Total Shareholders' Liabilities		14,933,955	10,677,751
Shareholders' Equity			
Share capital	22	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Accumulated losses		(19,514,783)	(38,094,433)
Fair value reserve for available for sale investments	10(b)	(2,273,196)	160,632
Total Shareholders' Equity		200,923,336	184,777,514
Total Shareholders' Liabilities and Equity		215,857,291	195,455,265
Total insurance operations liabilities and surplus and shareholders' liabilities and equity		1,908,331,604	1,731,629,557

The accompanying notes 1 to 32 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Ammar Alkhudairy



Chairman

Mohammed Koubar



Finance Manager

Statement of Income of Insurance Operations

For the year ended 31 December 2015

		2015	2014
	Note	SAR	SAR
Gross written premiums	23	803,213,312	725,109,990
Reinsurance premiums ceded	23	(342,843,069)	(327,015,755)
Net written premiums		460,370,243	398,094,235
Changes in unearned premiums	23	(133,721,673)	(18,080,588)
Reinsurance share of unearned premiums	23	61,528,341	40,617,798
Net change in unearned premiums	23	(72,193,332)	22,537,210
Net premiums earned	23	388,176,911	420,631,445
Commission earned	18	18,817,375	21,947,535
Unrealized gain on unit linked investments		675,883	9,365,419
Other income		6,448,057	3,160,940
Total revenues		414,118,226	455,105,339
Gross claims paid	16	(553,611,528)	(431,536,901)
Reinsurance share of claims paid	16	266,744,790	140,126,585
Net claims paid		(286,866,738)	(291,410,316)
Changes in gross outstanding claims		(170,773,666)	(50,710,809)
Changes in reinsurance share of outstanding claims		179,716,100	25,363,863
Changes in Net outstanding claims		8,942,434	(25,346,946)
Net claims incurred		(277,924,304)	(316,757,262)
Change in premium deficiency reserves		-	936,116
Change in unit linked liabilities	17	772,420	(17,509,675)
Commission expenses	12	(38,910,499)	(40,121,767)
Inspection and supervision fees		(5,047,421)	(4,178,490)
General and administrative expenses	24	(70,533,043)	(64,580,472)
Total claims and expenses		(391,642,847)	(442,211,550)
Net surplus for the year		22,475,379	12,893,789
Net surplus transferred to statement of income of shareholders' operations		(20,227,841)	(11,604,410)
Net insurance operations surplus after shareholders' appropriation for the year		2,247,538	1,289,379

The accompanying notes 1 to 32 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Ammar Alkhudairy



Chairman

Mohammed Koubar



Finance Manager

Statement of Comprehensive Income of Insurance Operations

For the year ended 31 December 2015

	Note	2015 (SAR)	2014 (SAR)
Net insurance operations surplus after shareholders' appropriation for the year		2,247,538	1,289,379
Other comprehensive income to be reclassified subsequently to the statement of income - insurance operations when conditions are met in the future			
Fair value change in available for sale investments	10(a)	(1,547,524)	1,627,617
Transferred to realised gain on disposal of available for sale investments to the statement of income - insurance operations		(311,010)	-
Total comprehensive income/(loss) for the year		389,004	2,916,996

Statement of income of shareholders' operations

For the year ended 31 December 2015

	Note	2015 (SAR)	2014 (SAR)
Net surplus transferred from statement of income - insurance operations		20,227,841	11,604,410
Special commission income		4,835,356	4,864,495
Realised (loss) / gain on available for sale investments		(375,194)	123,402
Total revenues		24,688,003	16,592,307
General and administrative expenses	24	(852,466)	(704,591)
Net income for the year		23,835,537	15,887,716
Basic and diluted earnings per share	27	1.19	0.79

Statement of Comprehensive Income of Shareholders' Operations

For the year ended 31 December 2015

	Note	2015 (SAR)	2014 (SAR)
Net income for the year		23,835,537	15,887,716
Other comprehensive income not to be reclassified subsequently to the statement of income - shareholders' operations			
Fair value change in available for sale investments	10(b)	(2,809,022)	509,300
Transferred to realized loss/(gain) on disposal of available for sale investments to the statement of income - shareholders' operations		375,194	(123,402)
Total comprehensive income for the year		21,401,709	16,273,614

The accompanying notes 1 to 32 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Ammar Alkhudairy



Chairman

Mohammed Koubar



Finance Manager

Statement of Changes In Shareholders' Equity

For the year ended 31 December 2015

	Share Capital SAR	Share Premium SAR	Accumulated Losses SAR	Unrealised gain / (loss) on available for sale investments SAR	Total SAR
Balance as at 1 January 2014	200,000,000	22,711,315	(49,618,841)	(225,266)	172,867,208
Net income for the year	-	-	15,887,716	-	15,887,716
Other Comprehensive income:					
- Fair value change in available for sale investments	-	-	-	509,300	509,300
- Transferred to statement of income of shareholders' operations	-	-	-	(123,402)	(123,402)
Total comprehensive income for the year	-	-	15,887,716	385,898	16,273,614
- Provision for zakat and income tax	-	-	(4,363,308)	-	(4,363,308)
Balance as at 31 December 2014	200,000,000	22,711,315	(38,094,433)	160,632	184,777,514
Balance as at 1 January 2015	200,000,000	22,711,315	(38,094,433)	160,632	184,777,514
Net income for the year	-	-	23,835,537	-	23,835,537
Other Comprehensive income:					
- Fair value change in available for sale investments	-	-	-	(2,809,022)	(2,809,022)
- Transferred to statement of income of shareholders' operations	-	-	-	375,194	375,194
Total comprehensive income / (loss) for the year	-	-	23,835,537	(2,433,828)	21,401,709
- Provision for zakat and income tax	-	-	(5,255,887)	-	(5,255,887)
Balance as at 31 December 2015	200,000,000	22,711,315	(19,514,783)	(2,273,196)	200,923,336

The accompanying notes 1 to 32 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Ammar Alkhudairy



Chairman

Mohammed Koubar



Finance Manager

Statement of cash flows of insurance operations

For the year ended 31 December 2015

	Note	2015 SAR	2014 SAR
Operating Activities			
Insurance operations' surplus after shareholders' appropriation		2,247,538	1,289,379
Employees' end of service benefits	20	2,837,801	2,233,952
Depreciation	13	1,141,571	1,357,012
Provision for doubtful reinsurance receivables	8(a)	2,606,067	-
Provision for doubtful receivables	9	1,288,658	4,923,056
Gain on disposal property and equipment		(6,060)	-
Gain on disposal of available for sale investments		(311,010)	-
Unrealized gains on unit linked investments		675,883	(9,365,419)
Shareholders' appropriation from insurance operations' surplus		20,227,841	11,604,410
Operating surplus before changes in operating assets and liabilities		30,708,289	12,060,390
Changes in operating assets and liabilities:			
Deferred policy acquisition costs		(8,120,632)	3,694,685
Unit linked investments		(561,731)	(4,142,874)
Reinsurance balances receivable		7,331,686	(162,112)
Premiums receivable		(59,691,763)	1,316,313
Prepayments and others assets		1,732,067	(2,826,406)
Unearned premiums		72,193,332	(22,537,210)
Unit linked liabilities		(772,420)	17,509,675
Outstanding claims		(8,942,434)	25,346,946
Premium deficiency reserves		-	(936,116)
Unearned commission income		2,934,991	119,596
Reinsurance balances payable		(51,531,413)	31,663,977
Accrued expenses and other liabilities		18,465,924	(19,023,746)
Cash from operations		3,745,896	42,083,118
Employees' end of service benefits paid	20	(1,115,592)	(627,093)
Net cash from operating activities		2,630,304	41,456,025
Investing Activities			
Purchase of property and equipment	13	(812,830)	(772,691)
Proceed from sale of property and equipment		6,060	-
Purchase of available for sale investments	10(a)	(4,909,192)	(24,958,813)
Proceeds from sale of available for sale investments	10(a)	10,348,576	-
Net cash from / (used in) investing activities		4,632,614	(25,681,504)
Financing Activities			
Due to shareholders operations		(15,000,000)	(3,000,000)
Net cash used in financing activities		(15,000,000)	(3,000,000)
(Decrease) / Increase In Cash And Cash Equivalents		(7,737,082)	12,774,521
Cash and cash equivalents at the beginning of the year		62,981,132	50,206,611
Cash And Cash Equivalents At The End Of The Year	6	55,244,050	62,981,132
Non-cash supplemental information:			
Changes in fair value of available for sale investments	10(a)	(1,547,524)	1,627,617

The accompanying notes 1 to 32 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Ammar Alkhudairy



Chairman

Mohammed Koubar



Finance Manager

Statement of cash flows of shareholders' operations

For the year ended 31 December 2015

	Notes	2015 SAR	2014 SAR
Operating Activities			
Net income for the year		23,835,537	15,887,716
Adjustments for:			
Realized loss/(gain) on available for sale investments		375,194	(123,402)
Shareholders' appropriation from insurance operations' surplus		(20,227,841)	(11,604,410)
Operating surplus before changes in operating assets and liabilities		3,982,890	4,159,904
Changes in operating assets and liabilities:			
Prepayments and other assets		(1,938,437)	463,392
Accrued expenses and other liabilities		537,689	7,302
Statutory Deposit		(400,790)	-
Cash from operations		2,181,352	4,630,598
Zakat and income tax paid during the year	21(c)	(1,537,372)	(1,297,789)
Net cash from operating activities		643,980	3,332,809
Investing Activities			
Purchase of available for sale investment	10(b)	(45,364,374)	(14,648,031)
Proceeds from sale of available for sale investments	10(b)	25,580,767	12,204,993
Net cash used in investing activities		(19,783,607)	(2,443,038)
Financing activity			
Due from insurance operations		15,000,000	3,000,000
Net cash from financing activities		15,000,000	3,000,000
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(4,139,627)	3,889,771
Cash and cash equivalents at the beginning of the year		5,705,081	1,815,310
Cash and cash equivalents at the end of the year	6	1,565,454	5,705,081
Non-cash supplemental information:			
Changes in fair value of available for sale investments	10(b)	(2,809,022)	509,300

The accompanying notes 1 to 32 form part of these financial statements.

Xavier Denys



Chief Executive Officer

Ammar Alkhudairy



Chairman

Mohammed Koubar



Finance Manager

The Power On Your Side



Notes To The Financial Statements

At 31 December 2015

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 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). The Company operates through its 5 branches (2014: 5) in the Kingdom of Saudi Arabia. The registered office of the Company is located at Al Safwa Commercial Building, P O Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

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

2. 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 financial liabilities held at Fair Value through Income Statement (FVIS) investments and Available For Sale (AFS) investments.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2015 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS).

Basis of presentation

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

In accordance with the Saudi Arabian Insurance Regulations, the Company is required to distribute 10% of net annual surplus from insurance operations to policy holders and the remaining 90% of the surplus to be transferred to the shareholders' operations and losses to be borne by shareholders' operations.

During the year, there has been a change in presentation of the Zakat and income tax charge which has been presented in the "statement of changes in equity" instead of being presented as part of "other comprehensive loss" as in last year. The management believes that the change in presentation better corresponds to the nature of the Zakat and tax charge which is a liability of the shareholders (see Note 31 for impact of the change).

Functional and presentational currency

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

3. New Standards Issued

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations. In the current year, the Company has applied number of amendments to IFRS and new interpretations issued by International

Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after 1 January 2015.

The adoption of new standards, amendments and revisions to existing standards, as mentioned below, had no significant financial impact on the financial statements of the Company:

Amendments to existing standards

Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

IFRS 1 - "first time adoption of IFRS": the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

IFRS 3 - "business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

IFRS 8 - "operating segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria..

IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

IAS 16 - "Property plant and equipment" and **IAS 38** - "intangible assets": - the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

IAS 24 - "related party disclosures" - the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly. **IAS 40** - "investment property" clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

Standards issued but not yet effective

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently

issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018. IASB is considering to defer the effective date of IFRS 9 for specified entities that issue contracts within the scope of IFRS 4 until the new insurance contracts standard is applied.

Annual improvements to IFRSs 2012 – 2014

Annual improvements to IFRSs 2012 – 2014 cycle applicable to annual period beginning on or after 1 January 2016.

Disclosure initiative (Amendments to IAS 1)

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports. It is effective for annual periods beginning on or after 1 January 2016.

The following new or amended standards are not expected to have significant impact on the financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 16 Leases

Agriculture: Bearer Plants (Amendment to IAS 16 and 41)

IFRS 14 Regulatory deferral accounts.

Accounting for acquisition of Interest in Joint Operations (Amendment to IFRS 11)

Classification of acceptable methods of depreciation and amortization (Amendment to IAS 16 and IAS38)

Equity method in separate financial statements (Amendment to IAS 27)

Sales or contribution of Assets between Investor and its Associate or Joint Venture (Amendment to IFRS 10 and IAS28)

Annual improvements to IFRSs 2012 - 2014 Cycle - various standards

Investment Entities: Applying the consolidation exceptions (Amendment to IFRS 10, IFRS 12, IAS 28)

Disclosure initiative (Amendment to IAS 1).

4. Summery Of Significant Accounting policies

The significant accounting policies adopted are as follows:

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statements of income - insurance operations and statement of income shareholders' operations as they are consumed or expire with the passage of time.

Accrued expenses and other liabilities

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

Unearned commission income

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

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the statement of income as incurred. The cost of Property and equipment, net is depreciated 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

An item of Property and equipment, net and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income of insurance operations when the asset is derecognised.

The residual values, useful lives and methods of depreciation of Property and equipment, net are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

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 or settled claims associated with reinsurance policies 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 income 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.

Gains or losses on buying reinsurance are recognised in the statement of income - insurance operations immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in current accounts with banks.

Provisions

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

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 the Saudi Arabian Labour Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled should the employee leave at the statement of financial position date. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Kingdom of Saudi Arabia.

Financial instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- Receivables
- Available for sale financial assets

The Company has no held to maturity investments or derivatives.

Premiums receivable

Premium receivable are non-derivative financial assets with fixed or determinable payments. These are recognized when due and are measured initially at fair value of the consideration received or receivable. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of income - insurance operations. An allowance for impairment of receivables is established when there is objective evidence that the carrying amount will not be recoverable. Premiums receivable are derecognised when the derecognition criteria for financial assets have been met.

Available for sale

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment and un-collectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognised in the statements of income - 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 amortised cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate

Revenue recognition

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

- Last three months from the period in respect of marine cargo;
- Pre-defined calculation for engineering class of business for risks undertaken that extend beyond a single year. In accordance with this calculation, lower premiums are earned in the first year which gradually increase towards the end of the tenure of the policy; and
- Actual number of days for other lines of business.

The Company commenced using the pre-defined calculation for engineering class of business starting 1 January 2014. As only the calculation for deferring the premiums has been amended, this is a change in accounting estimate. This change in calculation is expected to have minimal impact on the net earned premiums of the Company for future years as the net retention of the Company in respect of engineering business is considered to be minimal by management.

Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income of insurance operations in the same order that revenue is recognised over the period of risk.

Dividend income

Dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the year and are recognised 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. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

Claims

These include the cost of claims and claims handling expenses paid during the period, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. Total outstanding claims comprise estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date, net of salvage and other recoveries including claims handling expenses.

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. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratio which are reviewed at regular intervals by the company's independent actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years. The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Salvage and Subrogation Reimbursement

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of property.

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract

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 recognised as an expense when incurred. Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the term of expected future premiums. Amortisation is recorded in the statement of income of insurance operations. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

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

Deferred policy acquisition costs are derecognised when the related contracts are either settled or disposed of.

Unit linked investments

Unit linked investments are assets backing liabilities arising from insurance contracts and are classified as 'held for trading' assets and are designated at fair value with change in fair value through the statement of income – Insurance operations.

Insurance contract are those contracts that have significant insurance risk and the Company classifies the unit linked investments as insurance contracts based on the associated death and disability features.

Unit linked liabilities

The unit linked liabilities were determined as the value of the units deemed allocated at the valuation date. Additional technical provisions have been established for the value of life risk attaching to the contracts. These additional provisions were calculated using stochastic techniques.

Zakat and income tax

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of changes in shareholders' equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is computed on the Saudi shareholders' share of equity and and/ or net income using the basis defined under the regulations of DZIT. Income tax is computed on the foreign shareholders' share of net income for the year. Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders.

Zakat and income tax are charged in full to the retained earnings. Income tax charged to the retained earnings, in excess to the proportion of the Saudi shareholders' zakat per share, is recovered from the foreign shareholders and credited to retained earnings.

Deferred income tax on all major temporary differences between financial income and taxable income are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed.

Deferred income tax are determined using tax rates which have been substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses and which is subject to risk and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions. The Company is organised into business units based on their products and services and has six reportable operating segments as follows:

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

If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Foreign currencies

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

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently an enforceable legal 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 are not offset in the statements of income - 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 recognised / derecognised 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.

Statutory reserve

In accordance with its by-laws, the Company shall allocate 10% of its net income each year to a statutory reserve until it has built up a reserve equal to the share capital. Due to accumulated losses, no such transfer has been made for the year ended December 31, 2015.

5. Significant Accounting Estimates and Assumptions

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

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

Impairment of investments

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

Technical reserves for insurance activities

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

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

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

Impairment losses on receivables

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

Deferred policy acquisition costs

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

6. Cash and Cash Equivalents

	2015 (SAR)		2014 (SAR)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash on hand	1,016,976	-	654,696	-
Cash at banks	54,227,074	1,565,454	62,326,436	5,705,081
	55,244,050	1,565,454	62,981,132	5,705,081

Cash at banks are placed with counterparties who have investment grade credit ratings.

7. Prepayments and Other Assets

	2015 (SAR)		2014 (SAR)	
	Insurance operation	Shareholders' operations	Insurance operations	Shareholders' operations
Receivable for unit linked investments	8,010,171	-	6,749,181	-
Prepaid rent	1,211,260	-	1,248,231	-
Accrued investment income	1,074,879	2,508,050	151,416	569,613
Receivable from related party	-	-	4,999,350	-
Other assets	2,293,363	-	1,173,562	-
	12,589,673	2,508,050	14,321,740	569,613

8. Reinsurance Balances

Reinsurance balances receivable:	2015 SAR	2014 SAR
Reinsurance balances receivables	32,074,355	39,406,041
Provision for doubtful reinsurance receivables	(2,606,067)	-
Reinsurance balances receivables, net	29,468,288	39,406,041

Reinsurance balances payable:	2015 SAR	2014 SAR
Reinsurance balances due to related parties (note 25)	50,386,974	50,504,175
Reinsurance balances due to other parties	86,919,831	138,334,043
Total reinsurance balances payable	137,306,805	188,838,218

9. Premiums Receivable

Reinsurance balances receivable:	2015 SAR	2014 SAR
Premiums receivable	332,597,537	272,905,774
Provision for doubtful receivables	(41,180,489)	(39,891,831)
Premiums receivable, net	291,417,048	233,013,943

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

2015 Amount in SAR	Total	Neither past due nor impaired	Past due not impaired	Past due and impaired	
			Up to 90 days	Less than 180 days	More than 180 days
Premiums receivable	332,597,537	73,961,528	103,569,017	56,710,591	98,356,401
Impairment allowance for receivables	(41,180,489)	-	-	(5,612,074)	(35,568,415)
Premiums receivable, net	291,417,048	73,961,528	103,569,017	51,098,517	62,787,986

2014 Amount in SAR	Total	Neither past due nor impaired	Past due not impaired	Past due and impaired	
			Up to 90 days	Less than 180 days	More than 180 days
Premiums receivable	272,905,774	68,260,984	124,861,034	18,862,673	60,921,173
Impairment allowance for receivables	(39,891,831)	-	-	(2,829,401)	(37,062,430)
Premiums receivable, net	233,013,943	68,260,984	124,861,034	16,033,272	23,858,743

The Company classifies balances as “past due and impaired” on a case by case basis and an impairment adjustment is recorded in the statement of insurance operations. 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. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to policyholders with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past.

The movement in the allowance for doubtful receivables is as follows:

	2015 SAR	2014 SAR
Balance at the beginning of the year	39,891,831	34,968,775
Impairment charge for the year	1,288,658	4,923,056
Balance at the end of the year	41,180,489	39,891,831

10. Available for Sale Investments

Investments are classified as follows:

a) Insurance operations' available for sale investments:

Quoted	2015 SAR	2014 SAR
Bonds - Floating Rate	5,000,000	5,000,000
Bonds - Fixed Rate	49,480,267	46,052,925
Mutual Funds	4,823,648	15,237,898
Total	59,303,915	66,290,823

The cumulative unrealised loss in fair value of available for sale investments amounted to SAR 2,356,339 (31 December 2014: SAR 497,805) is presented within the insurance operations' surplus in the statement of financial position.

The available for sale investments comprise of bonds and mutual funds issued by corporate and financial institutions in the Kingdom of Saudi Arabia and GCC countries.

Bonds – Fixed rate is rated “AA” and Bonds – Floating rate is rated “A” by Standard & Poor’s however Funds are unrated.

The movement in insurance operations' available for sale investments is as follows:

	2015 SAR	2014 SAR
Balance at the beginning of the year	66,290,823	39,704,393
Acquisitions during the year	4,909,192	24,958,813
Disposals during the year	(10,348,576)	-
Unrealised (loss)/gain on available for sale investments	(1,547,524)	1,627,617
Balance at the end of the year	59,303,915	66,290,823

b) Shareholders' available for sale investments:

	2015 (SAR)		
	Quoted	Unquoted	Total
Sukuk – Floating rate	-	30,000,000	30,000,000
Sukuk – Fixed rate	-	25,000,000	25,000,000
Bonds – Fixed rate	99,998,904	-	99,998,904
Mutual Funds	9,169,389	-	9,169,389
Equities	-	3,223,078	3,223,078
Total	109,168,293	58,223,078	167,391,371

	2014(SAR)		
	Quoted	Unquoted	Total
Sukuk – Floating rate	-	15,000,000	15,000,000
Sukuk – Fixed rate	-	25,000,000	25,000,000
Bonds – Fixed rate	94,950,914	-	94,950,914
Mutual Funds	12,242,794	-	12,242,794
Equities	-	3,223,078	3,223,078
Total	107,193,708	43,223,078	150,416,786

The cumulative unrealised loss / gain in fair value of available for sale investments amounted to loss of SAR 2,273,196 (31 December 2014: gain of SAR 160,632) is presented within the shareholders' equity in the statement of financial position.

The available for sale investments comprise of bonds and mutual funds issued by corporate and financial institutions in the Kingdom of Saudi Arabia and GCC countries.

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

The movement for shareholders' available for sale investments is as follows:

	2015 SAR	2014 SAR
Balance at the beginning of the year	150,416,786	147,464,448
Acquisitions during the year	45,364,374	14,648,031
Disposals during the year	(25,580,767)	(12,204,993)
Unrealised (loss)/gain on available for sale investments	(2,809,022)	509,300
Balance at the end of the year	167,391,371	150,416,786

c) Credit standing of investments

Following is the credit standing of available for sale investments:

Credit quality	Credit Rating Agency	Financial Instrument	31 December 2015	31 December 2014
Very strong quality AA	S&P/ Moody's	Bonds / Sukuks	12,411,225	12,431,250
Strong quality A+	S&P	Bonds / Sukuks	137,587,679	117,519,664
Satisfactory quality A-	S&P	Sukuk	5,000,000	5,000,000
Unrated	N/A	Equities/Sukuk/Mutual Funds	12,392,467	15,465,872

Very strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Strong quality: Capitalization, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

d) Determination of fair value and fair values hierarchy

As at 31 December, the financial instruments under insurance and shareholder operations are measured at fair value using Level 1 hierarchy for bonds and funds which are quoted in stock exchange.

The following table shows an analysis of financial instruments measured at fair value by level of the fair value hierarchy;

i) Insurance Operations

2015 (SAR)				
	Level 1	Level 2	Level 3	Total
Bonds	54,480,267	-	-	54,480,267
Mutual Funds	4,823,648	-	-	4,823,648
Total	59,303,915	-	-	59,303,915

2014 (SAR)				
	Level 1	Level 2	Level 3	Total
Bonds	51,052,925	-	-	51,052,925
Mutual Funds	15,237,898	-	-	15,237,898
Total	66,290,823	-	-	66,290,823

ii) Shareholders' operations

2015 (SAR)				
	Level 1	Level 2	Level 3	Total
Bonds	99,998,904	-	-	99,998,904
Sukuk	-	-	-	-
Mutual Funds	9,169,389	-	-	9,169,389
Equities	-	-	-	-
Total	109,168,293	-	-	109,168,293

2014 (SAR)				
	Level 1	Level 2	Level 3	Total
Bonds	94,950,914	-	-	94,950,914
Sukuk	-	-	-	-
Mutual Funds	12,242,794	-	-	12,242,794
Equities	-	-	-	-
Total	107,193,708	-	-	107,193,708

There were no transfers between Level 1 and Level 2 fair value measurements, during the year ended 31 December 2015 and year ended 31 December 2014.

The unlisted available for sale security amounting to SAR 58,223,078 (31 December 2014: SAR 43,223,078) is stated at cost in the absence of active markets or other means of reliably measuring its fair value.

11. Unit Linked Investments

The fair values for unit linked investments as at 31 December are:

	2015 SAR	2014 SAR
Local currency funds	572,531,152	574,525,805
Foreign currency funds	14,437,475	12,556,974

	586,968,627	587,082,779
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Portfolios of the funds are as follows:

	2015 SAR	2014 SAR
Al Ghad/Al Anjal Low Risk Fund	274,005,052	281,715,229
Al Badr Fund Saudi Riyal	206,781,695	191,246,309
Al Ghad/Al Anjal Murabaha Fund	48,754,774	54,844,777
Al Saffa Equity Fund	35,004,159	35,606,766
Al Badr Fund US Dollar	6,307,425	6,679,225
Money Market Fund Saudi Riyal	4,509,318	4,243,364
Al Fursan Equity Fund US Dollar	3,961,129	4,101,953
Al Danah GCC Equity Fund	3,100,272	3,876,107
Saudi Istithmar Fund	2,594,446	2,993,253
Al Naqaa Asia Growth Fund US Dollar	1,950,357	1,775,796
	586,968,627	587,082,779

Unit Linked Assets "Assets backing contracts where the financial risk is borne by policyholders" are invested in unit linked funds. For insurance contracts the Company has established a unit linked reserve known as "Liabilities arising from insurance contracts where the risk is borne by policyholders" which excluding some timing differences and reserves, matches exactly the policyholder unit linked assets (refer to note 17).

The Company uses Level 1 hierarchy for determining and disclosing the fair value of above unit linked investments.

12. Deferred Policy Acquisition Costs

	2015 SAR	2014 SAR
Balance at the beginning of the year	13,837,659	17,532,344
Incurred during the year	47,031,131	36,427,082
Amortisation for the year	(38,910,499)	(40,121,767)
Balance at the end of the year	21,958,291	13,837,659

13. Property and Equipment

	2015 (SAR)			
Cost:	Computer and office equipment SAR	Motor vehicles SAR	Furniture and fittings SAR	Total SAR
At the beginning of the year	8,835,950	1,012,347	5,989,859	15,838,156
Additions during the year	450,667	-	362,163	812,830
Disposals during the year	-	(43,000)	-	(43,000)
Balance at the end of the year	9,286,617	969,347	6,352,022	16,607,986
Accumulated Depreciation:				
At the beginning of the year	8,090,135	830,552	4,812,632	13,733,319
Charge for the year	374,195	108,273	659,103	1,141,571
Disposals during the year	-	(43,000)	-	(43,000)
Balance at the end of the year	8,464,330	895,825	5,471,735	14,831,890
Net book value at 31 December 2015	822,287	73,522	880,287	1,776,096

	2014 (SAR)			
	Computer and office equipment SAR	Motor vehicles SAR	Furniture and fittings SAR	Total 2014 SAR
Cost:				
At the beginning of the year	8,423,863	1,012,347	5,679,255	15,115,465
Additions during the year	412,087	-	310,604	722,691
Balance at the end of the year	8,835,950	1,012,347	5,989,859	15,838,156
Accumulated Depreciation:				
At the beginning of the year	7,728,283	678,965	3,951,059	12,358,307
Charge for the year	361,852	151,587	861,573	1,375,012
Balance at the end of the year	8,090,135	830,552	4,812,632	13,733,319
Net book value at 31 December 2014	745,815	181,795	1,177,227	2,104,837

14. Statutory Deposit

In compliance with Insurance Implementing Regulations of SAMA, the Company deposited 10% of its paid up capital, amounting to SAR 20 Million in a bank designated by SAMA. The accrued commission on the deposit as at 31 December 2015 is SAR 476,815 (31 December 2014: SAR 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 and rated "A" by Standard & Poor's Ratings Services.

15. Accrued Expenses And Other Liabilities

	2015 SAR		2014 SAR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Accrued bonus	4,598,616	-	3,628,454	-
Inspection and supervision fees	2,317,433	-	1,703,959	-
Consultation and professional fees	584,419	-	372,009	-
Claims payable	29,187,938	-	12,856,508	-
Others	1,451,983	662,513	1,113,535	124,824
	38,140,389	662,513	19,674,465	124,824

16. Outstanding Claims

	2015 (SAR)		
	Gross	Reinsurance share	Net
General insurance	434,010,697	(366,788,133)	67,222,564
Protection and saving insurance	13,918,268	(8,719,801)	5,198,467
Total outstanding claims	447,928,965	(375,507,934)	72,421,031

	2014 (SAR)		
	Gross	Reinsurance share	Net
General insurance	389,078,078	(312,822,103)	76,255,975
Protection and saving insurance	12,708,675	(7,601,185)	5,107,490
Total outstanding claims	401,786,753	(320,423,288)	81,363,465

Movement of outstanding claims is as follows:

	2015 SAR			2014 SAR		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
As at 1 January						
Reported claims	256,717,296	(195,791,834)	60,925,462	213,027,485	(170,427,971)	42,599,514
IBNR	145,069,457	(124,631,454)	20,438,003	138,048,459	(124,631,454)	13,417,005
Total outstanding claims	401,786,753	(320,423,288)	81,363,465	351,075,944	(295,059,425)	56,016,519
Provided during the year	599,753,740	(321,829,436)	277,924,304	482,247,710	(165,490,448)	316,757,262
Paid during the year	(553,611,528)	266,744,790	(286,866,738)	(431,536,901)	140,126,585	(291,410,316)
As at 31 December	447,928,965	(375,507,934)	72,421,031	401,786,753	(320,423,288)	81,363,465
Reported Claims	292,010,152	(250,600,850)	41,409,302	256,717,296	(195,791,834)	60,925,462
IBNR	155,918,813	(124,907,084)	31,011,729	145,069,457	(124,631,454)	20,438,003
Total outstanding claims	447,928,965	(375,507,934)	72,421,031	401,786,753	(320,423,288)	81,363,465

17. Unit Linked Liabilities

	2015 SAR	2014 SAR
Balance at the beginning of the year	593,623,912	576,114,237
Change in unit linked liabilities during the year	(772,420)	17,509,675
Balance at the end of the year	592,851,492	593,623,912

Liabilities arising from insurance contracts where the risk is borne by policyholders relates to the value of unit linked contracts.

The technical provision relating to insurance contracts represent the excess of expected claims under these products over expected charges. The computation was made on the basis of recognized actuarial methods, with due regard to the actuarial principles.

18. Unearned Commission Income

	2015 SAR	2014 SAR
Balance at the beginning of the year	12,295,482	12,175,886
Commission received during the year	21,752,366	22,067,131
Commission earned during the year	(18,817,375)	(21,947,535)
Balance at the end of the year	15,230,473	12,295,482

19. Unearned Premiums

	2015 SAR	2014 SAR
Balance at the beginning of the year	92,152,202	114,689,412
Net premiums written during the year	460,370,243	398,094,235
Net premiums earned during the year	(388,176,911)	(420,631,445)
	164,345,534	92,152,202
Reinsurance share of unearned premium	258,240,391	196,712,050
Balance at the end of the year	422,585,925	288,864,252

20. Employees' End of Service Benefits

	2014 SAR	2013 SAR
Balance at the beginning of the year	10,063,959	8,457,100
Provided for the year	2,837,801	2,233,952
Paid during the year	(1,115,592)	(627,093)
Balance at the end of the year	11,786,168	10,063,959

21. Provision for Zakat and Income Tax

The provision for zakat and income tax for the year is set out below:

	2015 (SAR)	2014 (SAR)
Provision for zakat	3,219,633	2,836,657
Provision for income tax	2,036,254	1,526,651
	5,255,887	4,363,308

(a) Zakat

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

	2015 (SAR)	2014 (SAR)
Opening share capital	200,000,000	200,000,000
Reserves and opening provisions	43,588,227	16,518,349
Closing value of long term assets	(50,996,649)	(42,653,069)
	192,591,578	173,865,280
Zakatable income for the year	31,851,314	23,880,035
Zakat base	224,442,892	197,745,315
Total Saudi share of zakat base	128,785,332	113,466,262
Zakat due at 2.5% on Saudi shareholding	3,219,633	2,836,657

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

(b) Income tax

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

	2015 SAR	2014 SAR
Net income for the year	23,835,537	15,887,716
Add: Inadmissible expenses	10,115,983	25,502,599
Less : Admissible expenses	(6,669,277)	(17,510,275)
Adjustment of brought forward losses	(3,393,758)	(5,970,009)
Adjusted income	23,888,485	17,910,031
Adjusted income attributed to non Saudi shareholders	10,181,272	7,633,255
Provision for income tax (20%)	2,036,254	1,526,651

(c) Movement in zakat and income tax payable is as follows

	2015 SAR	2014 SAR
Opening balance of zakat and tax payable	10,552,927	7,487,408
Provided during the year	5,255,887	4,363,308
Payment made during the year	(1,537,372)	(1,297,789)
Closing balance of zakat and tax payable	14,271,442	10,552,927

(d) Status of assessments

The Company has filed tax and zakat declarations for the years ended 31 December 2008 to 31 December 2014 and the assessments for these years are still outstanding. The Company has filed appeals against the Department of Zakat and Income Tax (DZIT) assessments of additional zakat arising from disallowance of long term investments from zakat base for the years 2010, 2011, 2012 and 2013. The Company has accounted for the additional zakat provision in the financial statements, however has not paid the same.

The Company is in the process of filing tax and zakat returns for the year ended 31 December 2015 with the DZIT.

22. Share Capital

The authorized and issued share capital of the Company is SAR 200 million divided into 20 million shares of SAR 10 each (31 December 2014: SAR 200 million divided into 20 million shares of SAR 10 each). The founding shareholders of the Company have subscribed and paid for 13 million shares with a nominal value of SAR 10 each, which represents 65% of the shares of the Company's capital and the remaining 7 million shares with a nominal value of SAR 10 each have been subscribed by the public.

23. Premiums Written and Earned

	2015 (SAR)		
	Gross	Reinsurance share	Net
General insurance	632,227,738	(324,593,426)	307,634,312
Protection and saving insurance	170,985,574	(18,249,643)	152,735,931
Written premiums	803,213,312	(342,843,069)	460,370,243
Change in unearned premiums	(133,721,673)	61,528,341	(72,193,332)
Premiums earned	669,491,639	(281,314,728)	388,176,911

	2014 (SAR)		
	Gross	Reinsurance share	Net
General insurance	546,323,294	(314,341,806)	231,981,488
Protection and saving insurance	178,786,696	(12,673,949)	166,112,747
Written premiums	725,109,990	(327,015,755)	398,094,235
Change in unearned premiums	(18,080,588)	40,617,798	22,537,210
Premiums earned	707,029,402	(286,397,957)	420,631,445

24. General and Administrative Expenses

	2015 SAR		2014 SAR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Employees' costs	44,087,700	628,347	42,226,032	636,839
Consultation fees	5,193,256	-	4,119,469	-
Rent	3,051,289	-	2,828,533	-
Provision for doubtful on reinsurance receivable (note 8(a))	2,606,067	-	-	-
Insurance expenses	2,270,460	-	3,123,404	-
Repairs and maintenance	2,026,155	-	1,961,745	-
Provision for doubtful on premium receivable (note 9)	1,288,658	-	4,923,056	-
Postage and telephone	1,277,401	-	1,119,723	-
Depreciation (note 13)	1,141,571	-	1,375,012	-
Advertisement and promotion	988,998	-	447,125	-
Travel and transportation	707,911	-	458,719	-
Board expenses	896,476	224,119	124,176	67,752
Others	4,997,101	-	1,873,478	-
	70,533,043	852,466	64,580,472	704,591

25. Related Party Transactions and Balances

Following are the details of related party transactions during the year ended 31 December 2015 and 31 December 2014 and the related affiliate's balances as at 31 December 2015 and 31 December 2014:

Related party	Nature of transaction	2015 SAR	2014 SAR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Insurance premium written	70,825,634	17,440,950
	- Insurance premium ceded	133,918,675	94,524,126
	- Gross claims paid	9,306,071	3,075,371
	- Reinsurance share of claims paid	144,347,625	40,051,250
	- Commission expense	5,751,142	5,218,919
	- Commission income	46,342,448	16,566,757
	Other expenses		
	- Third party administrator (TPA) fees	6,950,083	2,609,496
Key management personnel	Remuneration and related expenses	5,822,217	6,808,525
Board members	Fees and related expenses	1,431,322	242,437

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives

including the Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer of the Company. All Unit Linked investments and certain significant available for sale investments are managed by an affiliate, Saudi Fransi Capital.

Cash and cash equivalents include bank accounts, the majority of which are maintained with the shareholder of the Company, Banque Saudi Fransi.

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

	2015 SAR	2014 SAR
Entities controlled, jointly controlled or significantly influenced by related parties.		
- Accrued expenses	7,476,053	3,117,963
- Premiums receivable, net	20,183,990	9,816,531
- Reinsurance balance payable	50,386,974	50,504,175
- Outstanding claims	2,567,664	6,036,255

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

26. Claims Development Table

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

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

2015 Accident Year	2011 & Earlier	2012	2013	2014	2015	Total
Estimate of ultimate claims cost:						
At the end of accident year	102,649,881	104,912,265	120,625,501	176,986,593	159,682,017	-
One year later	119,446,266	113,103,673	134,302,221	182,004,757	-	-
Two years later	116,202,161	113,744,848	133,945,162	-	-	-
Three years later	116,309,857	114,145,785	-	-	-	-
Four years later	118,153,019	-	-	-	-	-
Current estimate of cumulative net claims	118,153,019	114,145,785	133,945,162	182,004,757	159,682,017	707,930,740
Cumulative payments to date	(113,600,273)	(111,737,049)	(127,747,377)	(169,143,744)	(113,281,266)	(635,509,709)
Net liability recognised in statement of financial position	4,552,746	2,408,736	6,197,785	12,861,013	46,400,751	72,421,031

2014 Accident Year	2010 & Earlier	2011	2012	2013	2014	Total
Estimate of ultimate claims cost:						
At the end of accident year	98,798,242	102,649,881	104,912,265	120,625,501	186,633,854	-
One year later	121,466,369	119,446,266	113,103,673	136,008,388	-	-
Two years later	118,045,703	116,202,161	114,057,593	-	-	-
Three years later	115,472,258	117,030,393	-	-	-	-
Four years later	116,142,240	-	-	-	-	-
Current estimate of cumulative net claims	116,142,240	117,030,393	114,057,593	136,008,388	186,633,854	669,872,468
Cumulative payments to date	(115,243,475)	(114,010,363)	(110,892,894)	(120,662,630)	(127,699,641)	(588,509,003)
Net liability recognised in statement of financial position	898,765	3,020,030	3,164,699	15,345,758	58,934,213	81,363,465

27. Basic And Diluted Earnings Per Share

	31 December 2015	31 December 2014
Net income for the year (SAR)	23,835,537	15,887,716
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic and diluted earnings per share (SAR)	1.19	0.79

28. Risk Management

Risk management strategy

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from the Company's 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 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 organisational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of directors

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

Senior management

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

The risks faced by the Company and the way these risks are mitigated by management are summarised 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) Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands.

The Company underwrites mainly medical, motor, fire and burglary, marine, engineering and public liability risks. The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Concentration of insurance risk

The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in motor and medical.

The Company monitors concentration of risk by evaluating multiple risks covered in the same geographical location or by same party. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighboring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Since the Company operates in Saudia Arabia only, hence, all the insurance risks relate to policies written in Saudia Arabia.

Protection and Saving

For Protection and saving, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also conducts financial, lifestyle and occupational underwriting to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

For group Protection and saving, the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, For example employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of underwriting carried out, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The individual family and group Protection and Saving portfolio is protected through an efficient reinsurance arrangement in accordance with Allianz Group standards. This protects the Company from adverse mortality/morbidity experience. There is a maximum retention per life under the reinsurance arrangement which protects the Company from single large losses. Multiple claims and concentrations of risk are also covered under the arrangement.

General Insurance

Frequency and amounts of claims

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

Medical

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

Motor

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

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

Fire and burglary

For property insurance contracts the main risk is fire. The Company only underwrites policies for properties containing fire detection equipment.

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

Marine

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

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

Engineering

For engineering insurance, the main risks are loss or damage to the construction/erection works caused by fire, explosion, natural perils like floods, earthquakes, hailstorms, etc. The Company has reinsurance cover for such risks to limit losses for any individual claim.

Public liability

For public liability insurance, the main risks are legal liabilities of the insured towards third party deaths, bodily injury or property damage arising out of insured premises, business operations or projects handled by the insured.

This insurance policy is underwritten based on the turnover of the company or the value of the contract, nature / occupation of the premises, nature of contracts handled. The Company has reinsurance cover to limit the losses for any individual claim.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 5% change in the claims ratio would impact income annually in aggregate by:

Change in claim ratio	Effect on income	Effect on income
	2015 SAR	2014 SAR
+5%	13,896,215	15,837,863
-5%	(13,896,215)	(15,837,863)

c) Claims management risk

Claims management risk may arise within the company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The company's claims teams are focused on delivering quality, reliability and speed of service the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

d) Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances.

The objective of the company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due.

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 summarises the expected utilisation or settlement of assets and liabilities.

Maturity analysis on expected maturity bases	31 December 2015		
	Amount in SAR		
	Current	Non - current	Total
Insurance operations' assets			
Cash and cash equivalents	55,244,050	-	55,244,050
Prepayments and other assets	12,589,673	-	12,589,673
Reinsurance balances receivable	29,468,288	-	29,468,288
Premiums receivable	291,417,048	-	291,417,048
Available for sale investments	-	59,303,915	59,303,915
Unit linked investments	586,968,627	-	586,968,627
Deferred policy acquisition costs	21,958,291	-	21,958,291
Reinsurers' share of unearned premiums	258,240,391	-	258,240,391
Reinsurers' share of outstanding claims	375,507,934	-	375,507,934
Property and equipment	-	1,776,096	1,776,096
	1,631,394,302	61,080,011	1,692,474,313
Shareholders' assets			
Cash and cash equivalents	1,565,454	-	1,565,454
Prepayments and other assets	2,508,050	-	2,508,050
Due from insurance operations	23,915,601	-	23,915,601
Available for sale investments	-	167,391,371	167,391,371
Statutory deposit	-	20,476,815	20,476,815
	27,989,105	187,868,186	215,857,291
Insurance operations' liabilities			
Accrued expenses and other liabilities	38,140,389	-	38,140,389
Reinsurance balances payable	137,306,805	-	137,306,805
Due to shareholders' operations	23,915,601	-	23,915,601
Outstanding claims	447,928,965	-	447,928,965
Unit linked liabilities	592,851,492	-	592,851,492
Unearned commission income	15,230,473	-	15,230,473
Unearned premiums	422,585,925	-	422,585,925
Employees' end of service benefits	-	11,786,168	11,786,168
	1,677,959,650	11,786,168	1,689,745,818
Shareholders' liabilities			
Zakat and income tax payable	662,513	-	662,513
Accrued expenses and other liabilities	14,271,442	-	14,271,442
	14,933,955	-	14,933,955

Maturity analysis on expected maturity bases	31 December 2014		
	Amount in SAR		
	Current	Non- current	Total
Insurance operations' assets			
Property and equipment	-	2,104,837	2,104,837
Reinsurers' share of outstanding claims	320,423,288	-	320,423,288
Reinsurers' share of unearned premiums	196,712,050	-	196,712,050
Deferred policy acquisition costs	13,837,659	-	13,837,659
Unit linked investments	587,082,779	-	587,082,779
Available for sale investments	-	66,290,823	66,290,823
Premiums receivable	233,013,943	-	233,013,943
Reinsurance balances receivable	39,406,041	-	39,406,041
Prepayments and other assets	14,321,740	-	14,321,740
Cash and cash equivalents	62,981,132	-	62,981,132
	1,467,778,632	68,395,660	1,536,174,292
Shareholders' assets			
Statutory deposit	-	20,076,025	20,076,025
Available for sale investments	-	150,416,786	150,416,786
Due from insurance operations	18,687,760	-	18,687,760
Prepayments and other assets	569,613	-	569,613
Cash and cash equivalents	5,705,081	-	5,705,081
	24,962,454	170,492,811	195,455,265
Insurance operations' liabilities			
Employees' end of service benefits	-	10,063,959	10,063,959
Unearned premiums	288,864,252	-	288,864,252
Unearned commission income	12,295,482	-	12,295,482
Unit linked liabilities	593,623,912	-	593,623,912
Outstanding claims	401,786,753	-	401,786,753
Due to shareholders' operations	18,687,760	-	18,687,760
Reinsurance balances payable	188,838,218	-	188,838,218
Accrued expenses and other liabilities	19,674,465	-	19,674,465
	1,523,770,842	10,063,959	1,533,834,801
Shareholders' liabilities			
Zakat and income tax payable	10,552,927	-	10,552,927
Accrued expenses and other liabilities	124,824	-	124,824
	10,677,751	-	10,677,751

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.

31 December 2015					
Amount in SAR					
	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Insurance operations' assets					
Cash and cash equivalents	-	55,244,050	-	-	55,244,050
Reinsurance balances receivable	-	29,468,288	-	-	29,468,288
Premiums receivable	-	291,417,048	-	-	291,417,048
Available for sale investments	4,823,648	-	5,000,000	49,480,268	59,303,915
Unit linked investments	586,968,627	-	-	-	586,968,627
Reinsurers' share of outstanding claims	-	375,507,934	-	-	375,507,934
	591,792,275	751,637,320	5,000,000	49,480,268	1,397,909,862
Shareholders' assets					
Cash and cash equivalents	-	1,565,454	-	-	1,565,454
Due from insurance operations	-	23,915,601	-	-	23,915,601
Available for sale investments	12,392,465	16,587,500	70,645,099	67,766,307	167,391,371
Statutory deposit	20,476,815	-	-	-	20,476,815
	32,869,280	42,068,555	70,645,099	67,766,307	213,349,241
Insurance operations' liabilities					
Accrued expenses and other payables	-	38,140,389	-	-	38,140,389
Reinsurance balances payable	-	137,306,805	-	-	137,306,805
Due to shareholders operations	-	23,915,601	-	-	23,915,601
Outstanding claims	-	447,928,965	-	-	447,928,965
Unit linked liabilities	592,851,492	-	-	-	592,851,492
Employees' end of service benefits	11,786,168	-	-	-	11,786,168
	604,637,660	647,291,760	-	-	1,251,929,420
Shareholders' liabilities					
Accrued expenses and other liabilities	-	662,513	-	-	662,513
Zakat and income tax payable	-	14,271,442	-	-	14,271,442
	-	14,933,955	-	-	14,933,955

31 December 2014					
Amount in SAR					
	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Insurance operations' assets					
Reinsurers' share of outstanding claims	-	320,423,288	-	-	320,423,288
Unit linked investments	587,082,779	-	-	-	587,082,779
Available for sale investments	15,237,898	-	5,000,000	46,052,925	66,290,823
Premiums receivable	-	233,013,943	-	-	233,013,943
Reinsurance balances receivable	-	39,406,041	-	-	39,406,041
Cash & cash equivalents	-	62,981,132	-	-	62,981,132
	602,320,677	655,824,404	5,000,000	46,052,925	1,309,198,006
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	20,076,025
Available for sale investments	15,465,872	22,640,625	55,052,789	57,257,500	150,416,786
Due from insurance operations	-	18,687,760	-	-	18,687,760
Cash & cash equivalents	-	5,705,081	-	-	5,705,081
	35,541,897	47,033,466	55,052,789	57,257,500	194,885,652
Insurance operations' liabilities					
Employees' end of service benefits	10,063,959	-	-	-	10,063,959
Mathematical reserves	593,623,912	-	-	-	593,623,912
Outstanding claims	-	401,786,753	-	-	401,786,753
Due to shareholders operations	-	18,687,760	-	-	18,687,760
Reinsurance balances payable	-	188,838,218	-	-	188,838,218
Accrued expenses and other payables	-	19,674,465	-	-	19,674,465
	603,687,871	628,987,196	-	-	1,232,675,067
Shareholders' liabilities					
Accrued expenses and other liabilities	-	124,824	-	-	124,824
Zakat and income tax payable	-	10,552,927	-	-	10,552,927
	-	10,677,751	-	-	10,677,751

f) Credit risk

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

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

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into insurance and reinsurance contracts with recognised, 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 sukuk. The Company does not have an internal grading mechanism for debt securities. The Company limits its credit risk on debt securities by setting out a minimum acceptable security rating level for such investments.

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 34% of premium receivable as at 31 December 2015 (2014: 32%).

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

	2015 SAR		
	Insurance Operations	Shareholders' Operations	Total
Premiums receivable	291,417,048	-	291,417,048
Reinsurance share of outstanding claims	375,507,934	-	375,507,934
Cash and cash equivalents	55,244,050	1,565,454	56,809,504
Reinsurance balances receivable	29,468,288	-	29,468,288
Available for sale investments	59,303,915	167,391,371	226,695,286
Statutory deposit	-	20,476,815	20,476,815
	810,941,235	189,433,640	1,000,374,875

	2014 SAR		
	Insurance Operations	Shareholders' Operations	Total
Premiums receivable	233,013,943	-	233,013,943
Reinsurance share of outstanding claims	320,423,288	-	320,423,288
Cash and cash equivalents	62,981,132	5,705,081	68,686,213
Reinsurance balances receivable	39,406,041	-	39,406,041
Available for sale investments	51,052,925	134,950,914	186,003,839
Statutory deposit	-	20,076,025	20,076,025
	706,877,329	160,732,020	867,609,349

g) Special commission rate risk

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

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the profit for one year, based on the floating rate financial assets held at 31 December 2015. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2015 would impact special commission income by approximately SAR 350,000 (2014; SAR 200,000) annually in aggregate.

h) Currency risk

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

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars which is pegged with the Saudi Riyal, foreign exchange gains and losses are not significant and have not been disclosed separately.

i) 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, there is no impact on the performance of the Company.

j) Reinsurance risk

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

Reinsurers are selected using the following parameters and guidelines set by the Company's Board of Directors and Risk and Underwriting Committee. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- Reputation of particular reinsurance companies.
- Existing or past business experience with the reinsurers.

k) 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 1% change in the market price of the quoted available for sale investments, with all other variables held constant, would impact shareholders' equity and insurance operations' accumulated surplus as set out below:

	Change in market price	Effect on statement of changes in shareholders' equity	Effect on insurance operations accumulated surplus
2015	%+1	1,091,682	593,039
	%-1	(1,091,682)	(593,039)
2014	+1%	1,071,937	662,908
	-1%	(1,071,937)	(662,908)

l) Capital management

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

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

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

The Company maintains its capital as per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained. According to the said Article, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

- Minimum Capital Requirement of SAR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

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

l) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. 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 financial liabilities are not materially different from their carrying values at the statement of financial position date.

29. Contingencies And Commitments

a) Legal proceedings and regulations

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

b) Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SAR 3,344,075 for the year ended 31 December 2015 (2014: SAR 3,066,075) are recognised in the statement of insurance operations.

30. Segment Information

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities. Information disclosed in the note is based on current reporting to the chief operating decision maker.

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

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

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

Operating segments

Following are the operating segments identified for segment reporting purposes;

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

[illegible]

[illegible]

[illegible]

Geographical segments

The Company, during the years 2015 and 2014 operated only in the Kingdom of Saudi Arabia.

31. Comparative Figures

Due to change in account classification as mentioned in note (2), the Company has accordingly reclassified the Zakat and income tax charge for the comparative periods, reported as "Other Comprehensive Loss" within statement of comprehensive income – shareholders' operations to "Other transactions with shareholders" under statement of changes in shareholders' equity.

The above-mentioned reclassification to comparatives did not have any impact on the retained earnings and equity as reported in the financial statements for the year 2015.

During the current year, the Company has reclassified the reinsurance share of IBNR to the "Insurance Operations' Assets" under reinsurance share of outstanding claims amounting to SAR 124,631,454. In prior periods the IBNR was reported on net basis and was presented in the "Insurance Operations' Liabilities" under outstanding claims.

32. Approval of the Financial Statements

These financial statements have been approved by the Board of Directors on 09 Jumada Al-Awwal 1437H, corresponding to 18 February 2016G.



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