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

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

Chairman's Statement

Dear Shareholders,

It is my privilege and pleasure to present, on behalf of the Board of Directors, the 2nd Annual Report and Financial Statements of the Saudi Fransi Cooperative Insurance Company (ASF) pertaining to the fiscal year ending 31st December 2009.

The year 2009 has witnessed important developments within ASF despite the consequences of the global financial crisis which negatively affected most economic and investment activities worldwide.

The General Assembly held on 18th January 2009 approved the transfer of the business from InSaudi Insurance Company (Bahrain) to ASF and the Portfolio of SAR 139.7 Million Gross Written Premium (GWP) has been actually transferred with effect from 1st January 2009. With this portfolio ASF emerged as a full-fledged insurance provider with comprehensive insurance solutions including Property & Casualty and Health business.

Moreover in Mar 2009, ASF received products approval for Protection & Saving products. In the second half of 2009 the Company launched three Protection & Saving Products: Waad Al Isteqrar for Retirement, Waad Al Ajyal for Education & Waad Al Ousra for Protection. With these modern and flexible insurance solutions designed to answer specific customers' needs, ASF has now a complete range of insurance solutions for both institutions as well as individuals.

During 2009, ASF has been able to increase its Gross Written Premium (GWP) substantially to reach SAR 337.8 Million in 2009 compared to SAR 77.9 Million in 2008, showing a growth above 300%. We are also looking forward to receiving the final approval to transfer the Bancassurance portfolio of Protection & Saving products including Retirement & Education plans issued previously under Banque Saudi Fransi. ASF has received in November 2009 the corresponding products' approval from the Saudi Arabia Monetary Agency (SAMA) and we are hoping to receive the final approval for the transfer soon.

The company Board of Directors has also approved an increase of its existing SAR 100 Million Capital through a rights issue with a total offering size amounting to SAR 125 Million. This move is aligned with the corporate strategy and rapid development plan of the Company.

In 2010 the Company will continue its rapid expansion with the aim to be amongst top insurers in the Kingdom answering retail and corporate customers' needs with modern and innovative insurance solutions through easy access to customers and highly motivated employees.

And above all, I would like to take this opportunity to express, on behalf of ASF shareholders, my sincere appreciation to our esteemed customers for their continued confidence.

I would also like to express my deepest gratitude to King Abdullah Bin Abdulaziz and his 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, as well as the Board of Directors members, the Executive Management and the staff for their support and dedication.

Yousef Hamdan Al-Hamdan
Chairman

The Board of Directors' Report

The Board of Directors (BOD) of the Saudi Fransi Cooperative Insurance Company (ASF) has the pleasure to present to the shareholders, the Company's second Annual Report accompanied with the audited financial statements of the fiscal year ending on 31st December 2009.

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

1. Introduction

The Saudi Fransi Cooperative Insurance Company (ASF) 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 authorized and issued Capital of the Company is SAR 100 million as of 31st December 2009, consisting of 10 Million shares. The ownership of ASF's shares is as follows:

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

  Within the 31% public shareholders the following own more than 1% shares:
  - 2.42% Mr. Abdullah Bakr Mohamed Al Qathami

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

Following the successful development of the Company during its first fiscal year, the Board of Directors had recommended on 27th October 2008 to increase the Capital of the Company. On 10th January 2010 the Board of Directors reaffirmed its recommendation to increase the Capital through a rights issue with a total offer size of SAR 125 Million. The initial founders have also confirmed their agreement to subscribe to this rights issue.

The company also launched several campaigns internally to seek innovative ideas from the employees on various topics and has initiated surveys to gauge customer satisfaction in the areas of sales, policy delivery and claims settlement. In order to create a quality conscious workforce, awareness sessions were launched covering over 50% of the employees for OPEX (Operational Excellence), an Allianz Group quality framework.

2. The Company's Vision, Mission & Strategy

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 Misson Statement is

Create Trust – Deliver Excellence from A to z

Our Strategy is

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

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

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

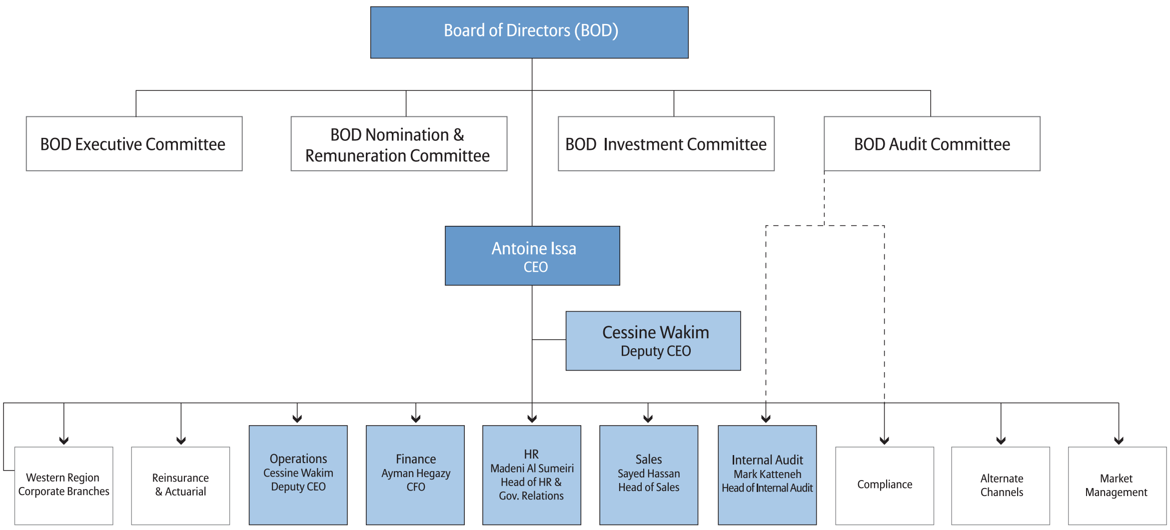
3. ASF Key Dates and Developments

ASF witnessed since its incorporation many significant developments mainly:

- The shareholders have received the authorization to establish the Company as per the Royal Decree No. 60/Mon October 2006.
- The Company went public through an Initial Public Offering in March 2007.
- The Constituting General Assembly was done in June 2007.
- The Operational License from SAMA (Ref: TMN/11/20083) was obtained in March 2008.
- The Company moved to the New Head Office in Riyadh in August 2008.
- The Company received its 1st products approval in September 2008.
- The Company expanded its geographical presence to cover Riyadh, Jeddah, Medina, Dammam, Khobar, and Al Hasa as of December 2008.
- The General Assembly of January 2009 has agreed on the transfer of Insaudi Portfolio as of 1st January 2009.
- The Company received its Property & Casualty products approval in January 2009.
- The Company received the final approval for Protection & Saving products in May 2009.
- The Company received in November 2009 the Bancassurance Protection & Saving products to be distributed by Banque Saudi Fransi distribution Company.
- The Company is expecting to receive SAMA's approval for the transfer of the Bancassurance Portfolio during 2010.
- The company Board of Directors recommended in January 2010 a Capital increase through an SAR 125 Million rights issue.

4. Organization Chart

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



5. Top Management

The Top Management of the Company is shown here below:

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

6. Human Resources

The Company's total number of staff as of 31st December 2009 reached 345 employees, compared to 176 employees as of 31st December 2008, with an increase of the proportion of Saudis from 38% in 2008 to 55% in 2009. The Management focus is to gradually increase the number of Saudis in the various departments and levels of the organization.

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 P.O. Box 3540, Riyadh 11481	Tel: +966 (1) 874 9700 Fax: +966 (1) 874 9799
Riyadh Branch	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh - KSA P.O. Box 3540, Riyadh 11481	Tel: +966 (1) 874 9700 Fax: +966 (1) 874 9799
Jeddah Regional Office	Suite 102, 1st Floor, Ewan Center, Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Tel: +966 (2) 283 2444 283 2589 Fax: +966 (2) 283 0022
Jeddah Branch	Suite 33, 3rd Floor, Khayyat Tower, Madina Road Northbound Sharafiya District, Jeddah, KSA	Tel: +966 (2) 667 8123 669 2059 Fax: +966 (2) 663 2576
Madinah Branch	Qurban Street, Al Maimani Building, 6th floor, Medina, KSA	Tel: +966 (4) 834 3111 Fax. +966 (4) 834 0298
Dammam Regional Office	Business City Building, King Abdelaziz Street, Dammam, KSA	Tel: +966 (3) 831 5600 to 831 5606 Fax: +966 (3) 8315609
Khobar Branch	Al-Salah Tower, Office G107, 28th Street Prince Faisal Bin Fahd Road Behind Banque Saudi Fransi Regional Office, Khobar, KSA	Tel: +966 (3) 867 9454, 867 5230 / 867 2256 Fax: +966 (3) 867 8441
El-Hasa Branch	Al Bostan Mall, Al Thoraiyat Road, El-Hasa, KSA	Tel: +966 (3) 582 5400 Fax: +966 (3) 582 8118

8. Financial Highlights

a) Written Premiums

The Gross Written Premiums amounted to SAR 337.8 Million as of December 2009 split per line of business as follows:

SAR Million	2009	2008
Property, Casualty & Health:	**315.1**	**77.9**
a) Motor:	62.8	-
b) Engineering:	71.9	61.8
c) Medical:	103.2	16.1
d) Other General:	77.2	-
Protection & Saving:	**22.7**	-

Although all our 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	2009	2008
Central Region:	224.3	75.2
Western Region:	76.6	2.1
Eastern Region:	36.9	0.6

Company has received approval for other Classes of Business and is under the process of getting new products approval.

b) Net Premiums Earned

The Net Premiums Earned after deducting the premium ceded to reinsurers and the reserves for the unearned premiums has amounted to SAR 127.3 Million as of December 2009 against SAR 3.7 Million as of December 2008.

c) Mathematical Reserve Change

The Mathematical Reserve change applicable on Protection & Saving products amounted to SAR (15.1) Million as of December 2009.

d) Claims Incurred

The Net Claims Incurred during the period after deducting the reinsurance shares and reserves amounted to SAR (73.5) Million as of December 2009 against SAR (0.6) Million as of December 2008.

e) Commissions

The commissions to producers net of the commissions received from reinsurers amounted to SAR 1.9 Million as of December 2009 against SAR (0.1) Million as of December 2008.

f) General Expenses

The Company has incurred during 2009 total expenses of SAR (67.5) Million, including SAR (3.9) Million allocated to the shareholders operations against a total expenses of SAR (39.1) Million during December 2008.

g) Deficit from Insurance Operations

The technical result before investment income is showing a deficit of SAR (19.1) Million as of December 2009 against a deficit of SAR (25.3) Million as of December 2008 with a decrease amounting to 25%.

h) Investments

The Company investments as of December 2009 are summarized here below:

SAR Millions	2009	2008
Cash & cash equivalents:	49.7	60.5
Bonds:	8.8	12.1
Subscription in Najm & Nextcare Companies:	3.2	-
Held to maturity	-	2.1

The investment income has amounted to SAR 4.4 Million as of December 2009 against SAR 2.7 Million as of December 2008.

i) Result of the Period (Loss)

The Company is still in its early stages of development and is investing on the needed infrastructure, systems, procedures and human resources. Therefore the result as of 31st December 2009 i.e. the second fiscal year is a loss amounting to SAR 22.4 Million against a loss of SAR 33.5 Million as of 31st December 2008. This loss per share as of December 2009 is equivalent to SAR 2.24

j) Assets

The total assets of the Company as of 31st December 2009 amounted to SAR 443.4 Million split as follows:

SAR Million	2009	2008
Insurance Operations' Assets	371.9	148.0
Shareholders' Assets	71.5	91.3

k) Shareholder's Equity

The Shareholder's Equity as of 31st December 2009 amounted to SAR 42.8 Million, split as follows:

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

The Board of Directors has recommended a Capital Increase through an SAR 125 Million rights issue. The file has been submitted to CMA and the Company is expecting to receive the final CMA approval in early 2010.
The Company confirms that it did not have any loans as of 31st December 2009.

l) Profit Distribution Strategy

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

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

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

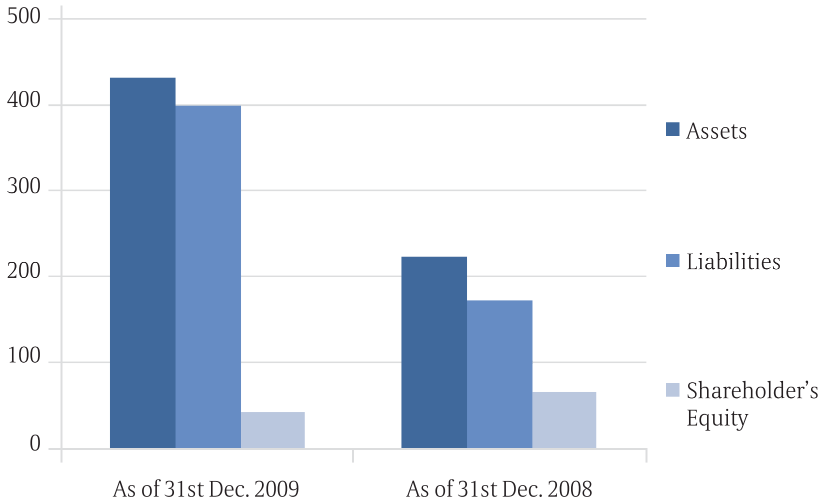
For the year ending 2009, the company is having a deficit, therefore 100% of the deficit will be transferred to the statement of shareholders' operations, in accordance with the requirements of the Executive Regulations of the Cooperative Insurance Law, and no distribution will be made for the year 2009.

m) Financial highlights

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

Activity "SAR Million"	2009	2008
Gross Written Premium	337.8	77.9
Net Earned Premium	127.3	3.7
Mathematical Reserve	(15.1)	-
Net Incurred Claims	(73.5)	(0.6)
Net Commissions	1.9	(0.1)
General Expenses	(67.5)	(39.1)
Investment Income	4.4	2.7
Net Income (Loss)	(22.4)	(33.5)

Balance Sheet "SAR Million"	2009	2008
Total Assets	443.4	239.3
Total Liabilities	400.6	173.4
Total Shareholders' Equity	42.8	65.9



Assets and liabilities 2009 & 2008

9. Corporate Governance, Regulations & Committees

a) The Compliance with Corporate Governance

In 2009, ASF entirely complied with the CMA corporate governance regulations except in the following minor areas: CMA guidelines suggest practicing a cumulative voting mechanism in the election of Board Members. However, the Company follows the Ministry of Commerce regulations in this regard.

b) Board of Directors

The Board of Directors (BOD) is composed of 8 members:

- 3 representing Banque Saudi Fransi (BSF)
- 3 representing Allianz France International (Former AGF Intl.) & Allianz MENA Holding Bermuda
- 2 representing the public, including the Chairman

The number of shares owned by the Board Members remains unchanged from 31st December 2008 to 31st December 2009; 0.02%.

Name	Number of shares*	Board Member**	Representing	Members Classification
Yousef Al Hamdan	1,000	■ National Installment Co. ■ Yousef Hamdan Al Hamdan Ltd Trading Company	Public	Independent
Sameer Al Hamidi	1,000	■ Astra Industrial Company	Public	Independent
Jean Marion	NIL	■ Banque Saudi Fransi ■ Banque Bemo Saudi Fransi, Syria	BSF	Non Executive
Abdurrahman Jawa	NIL	■ Saudi Travellers Cheques - Chairman ■ Banque Saudi Fransi. ■ Banque Bemo Saudi Fransi – Syria-Chairman ■ Al Emthail.	BSF	Non Executive
Nizar Al Qannas	NIL		BSF	Non Executive (BOD Secretary)
Heinz Dollberg replacing Kamesh Goyal since 16/12/2009	NIL	Saudi NextCare	Allianz MENA Holding Bermuda	Non Executive
Hugues de Roquette Buisson	NIL		Allianz France Intl.	Non Executive
Antoine Issa	NIL	Saudi NextCare	Allianz France Intl.	Executive (CEO)

Owned by the BOD members, their spouses or their children in ASF.

***In other company in KSA*

c) Remuneration and Compensation of Board Members and Top Executives

- Remuneration and Compensation of Board Members during the first fiscal ending 31st December 2009:

	Annual bonuses	Remuneration for Attending	Expenses
Chairman	NIL	SAR 12,000	NIL
Other Board Members	NIL	SAR 141,000	SAR 136,934
Total	NIL	SAR 153,000	SAR 136,934

- Top Executives
  The top six executives (including the Chief Executive Officer, his Deputy, and the Chief Financial Officer) were paid a sum of SAR 4,927,587 as salaries, allowances, reimbursement, and bonuses.

  During 2009, there was no contract in which the Company was a party and it's Chief Executive Officer, Chief Financial Officer 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 top executive or any of the shareholders of ASF waived their interests or rights to receive dividends.

In 2009, the Company did not record penalties, punishments or provisional restraints by the CMA or any regulatory authority.

d) BOD Committees

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

BOD Executive Committee	
Hugues de Roquette Buisson	Chairman
Jean Marion	Member
Abdurrahman Jawa	Member
Heinz Dollberg replacing Kamesh Goyal in 16/12/2009	Member
Antoine Issa	Member (CEO)

The BOD Executive Committee met three times during 2009 with 73% attendance.

- 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 ASF's control environment and risk management processes. The Committee is comprised of the following members:

BOD Audit Committee	
Hugues de Roquette Buisson	Chairman
Riyadh Al Sharikh	External
Abdul Aziz Osman	External

The 3 members are non executive and only one is a board member.

The Audit Committee met four times during 2009 with 92% attendance. The system of internal control has been effectively implemented in 2009.

The BOD Audit Committee met in February 2010 to approve the Company's Financials for the Year 2009. There is no financial or family relationship between the BOD members and the Audit Committee.

- BOD Investment Committee members
  The Investment committee shall prepare, review, and approve the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and in line with SAMA's regulations. The Committee is comprised of voting members and a permanent guest whom are as follows:

BOD Investment Committee	
Abdul Rahman Jawa	Chairman
Hugues de Roquette Buisson	Member
Antoine Issa	Member (CEO)
Ayman Hegazy	Permanent Guest (CFO)

- Nomination & Remuneration Committee

  The duties and responsibilities of the Nomination & Remuneration Committee are mainly:
  - Recommend appointments of membership to the Board of Directors.
  - Review the structure of the Board of Directors.
  - Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in the Board of Directors.
  - Carve clear policies regarding the indemnities and remuneration of the Board Members and Top Executives.

The Nomination & Remuneration Committee is comprised of:

BOD Nomination & Remuneration Committee	
Heinz Dollberg replacing Kamesh Goyal since 16/12/2009	Chairman
Jean Marion or Abdul Rahman Jawa	Member
Sameer Al Hamidi	Member

The Nomination & Renumeration committee met once during 2009 with full attendance.

e) BOD Meetings

The BOD met four times during the year end 31st December 2009 with attendance of 91%:

BOD Meeting	Date	Attendances
10	04/02/2009	Y. Al Hamdan, S. Al Hamidi, J. Marion, A. Jawa, N. Al Qannas, H. de roquette Buisson & A. Issa.
11	07/04/2009	Y. Al Hamdan, S. Al Hamidi, J. Marion, A. Jawa, N. Al Qannas, K. Goyal, H. de roquette Buisson & A. Issa.
12	27/06/2009	Y. Al Hamdan, S. Al Hamidi, J. Marion, A. Jawa, N. Al Qannas, H. de roquette Buisson & A. Issa.
13	16/12/2009	Y. Al Hamdan, S. Al Hamidi, J. Marion, A. Jawa, N. Al Qannas, H. de roquette Buisson & A. Issa.

f) Risk Management

During 2009, ASF succeeded in aligning risk management activities with corporate strategy and objectives to preserve the shareholders' value.

The Company has a comprehensive risk management strategy to understand and manage the types of risk arising from their core business operations. The strategy considers the impact of market conditions and available expertise on inherent risks to which the company is exposed. Consideration shall not be limited to the risks associated with one class of business but shall extend to risks from all other classes.

Control and Risk Assessment workshops were conducted where the controls in some departments and offices were reassessed and enhanced in the light of the changing economic, social and regulatory environments. The Risk Management Manual and Top Risk Assessment Matrix were approved by the Board of Directors on 16th December 2009.

g) Zakat, Legal Payments, and Loans

ASF allocated SAR 440,907 for Zakat in 2009 against SAR 770,942 allocated in 2008. There were no loans by the Company. The Following table shows a list of legal payments for the year 2009 compared to the year 2008.

SAR Million	2009	2008
Customs Expenses	-	-
Zakat & Tax	0.4	0.8
GOSI Expenses	1.4	-
Visa & Passports	0.3	-
Inspection & Supervision Fees	1.7	0.3
Total	**3.8**	**1.1**

10. Portfolios Transfer

- Portfolio Transfer – "InSaudi Insurance Company "BSC" (InSaudi)
  InSaudi is an insurance company incorporated in Bahrain in December 1993 and authorized by the Saudi Arabian Monetary Agency (SAMA) to operate in the Kingdom of Saudi Arabia until ASF becomes fully licensed and until the Portfolio of InSaudi is actually transferred.

  Following the SAMA approval on 28/11/1429H, 26th November 2008, ASF General Assembly held on 21/01/1430H, 18th January 2009 approved the transfer of the insurance Portfolio of the InSaudi with a cut-off date of 1st January 2009 and with no goodwill.

  InSaudi is owned by the founders of ASF (BSF & Allianz) and the aim of the transfer of its Portfolio - as announced in the IPO booklet – is to allow ASF to start with an existing Portfolio base. The portfolio was actually transferred with effect from 1st January 2009 and the Gross Written Premium transferred amounted to 139.7 Million.

- Bancassurance Portfolio Transfer "Banque Saudi Fransi" (BSF)
  The company also intends to transfer a Portfolio presently booked by Banque Saudi Fransi composed of Bancassurance Protection & Saving products: Al-Ghad for Retirement and Al-Anjal for Education. The Company has received from SAMA in November 2009 the products approval for Bancassurance Protection & Saving products, to be distributed by Banque Saudi Fransi insurance distribution Agency. The Company is waiting for the final SAMA approval to transfer the existing portfolio during 2010.

11. Capital Increase 2010

Following the successful development of the Company during its first fiscal year, the Board of Directors had recommended on 27th October 2008 to increase the Capital of the Company. The Board of Directors has reaffirmed its recommendation to increase the Capital through a rights issue with a total offering size of SAR 125 Million. The initial founders have also confirmed their agreement to fully subscribe in the increase. This increase will be done in the form of a right issue during early 2010 as soon as authorized by the competent authorities.

12. Future Plans

In order to meet the growth in the insurance market in the Kingdom of Saudi Arabia, the Board of directors has agreed to increase the capital of the Company through a rights issue of SAR 125 Million. The proceeds of this rights issue will be used to the geographical expansion to cover untapped areas of the Kingdom. Also, the Company is intending to do market campaigns especially for Protection & Saving insurance which was launched in the second half of 2009.

The Company is also intending to continue providing extensive training to newly graduated Saudis. This is to continue what the Company has already started in 2009. Moreover, the Company plans to increase the number of its direct sales force, as well as the number of employees in order to be able to better serve the market.

13. External Independent Auditors and Accounting Standards

In 2009, the Ordinary General Assembly approved the BOD recommendation of appointing KPMG and Al Bassam as joint external auditors of ASF for the fiscal year ending 31st December 2009.

The financial statements as at 31st December 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS). Based on the independent auditors' report, the Board of Directors is of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as of 31st December 2009 in accordance with IFRS.

Saudi Fransi Cooperative Insurance Company

A Saudi joint stock company

Financial Statements

For The Year Ended 31 December 2009

Together with the Auditors' Report

Independent Auditors' Report

Independent Auditors' Report to the Shareholders of Saudi Fransi Cooperative Insurance Company - (A Saudi Joint Stock Company)

Scope of audit

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

Unqualified opinion:

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

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

- Comply with the requirements of the Regulations for Companies and the Company's By laws with respect to the preparation and presentation of the financial statements.

Emphasis of a matter

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

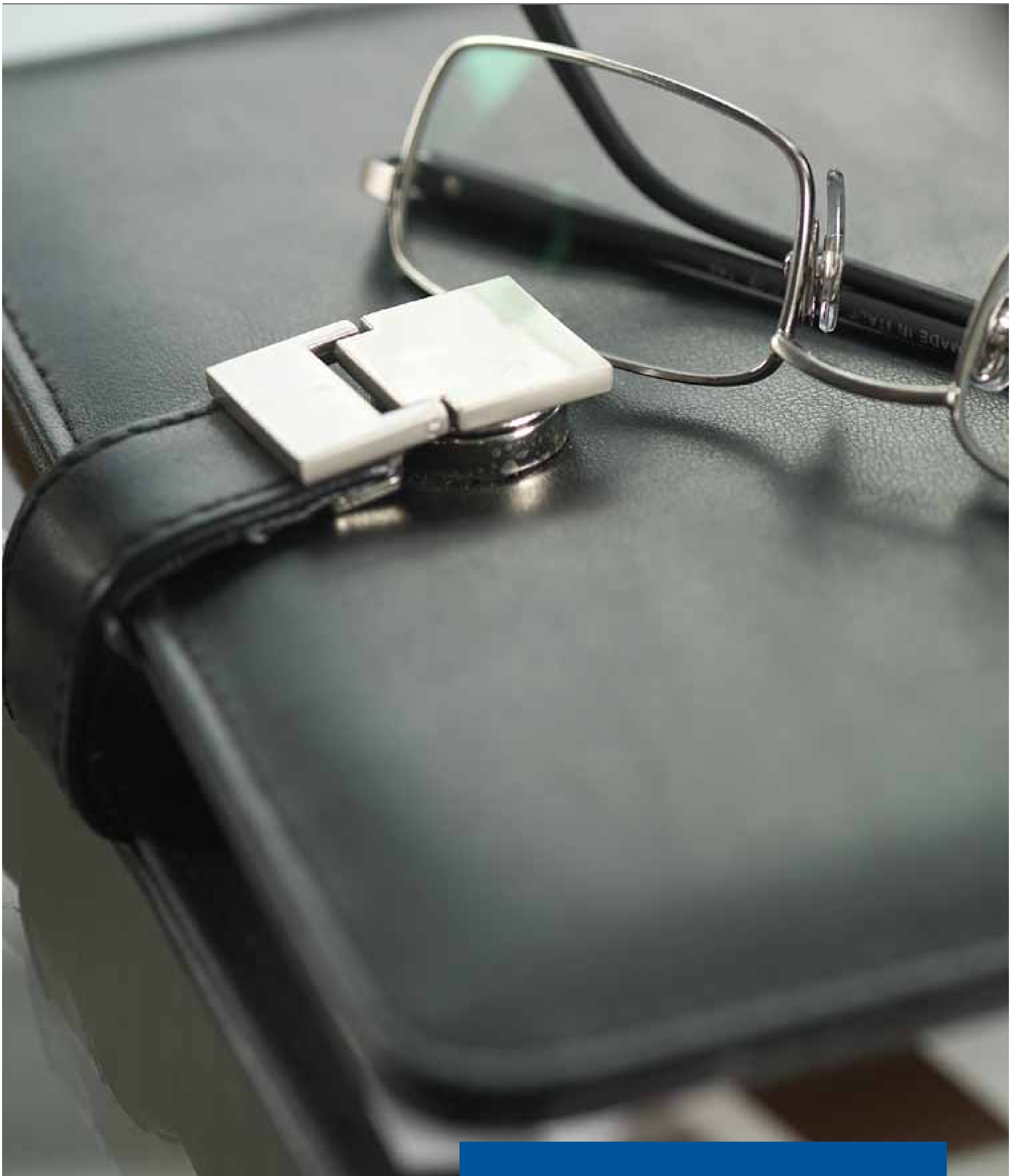
Al Bassam Certified Public
Accountants and Consultants
P.O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

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

2 Rabi Al Awal 1431H
(16 February 2010)

KPMG Al Fozan & Al Sadhan
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

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



Financial Statements

For The Year Ended 31 December 2009

Statement of Financial Position
For The Period Ended 31 December 2009

	Note	As at 31 December 2009 SR	As at 31 December 2008 SR
INSURANCE OPERATIONS' ASSETS			
Office equipment and furniture	7	6,136,276	7,016,114
Reinsurers' share of outstanding claims	8	29,464,834	1,196,374
Reinsurers' share of unearned premiums		107,158,188	50,068,631
Deferred policy acquisition costs	9	5,011,713	632,839
Due from shareholders' operations		24,873,121	25,337,634
Unit linked investments	10	33,460,107	-
Premiums receivable, net	12	147,092,524	58,687,080
Prepayments and other assets	11	2,658,630	1,149,167
Cash and cash equivalents	13	16,100,139	3,923,431
Total Insurance Operations' Assets		**371,955,532**	148,011,270
SHAREHOLDERS' ASSETS			
Statutory deposit	14	10,076,025	10,053,040
Advance on investments		-	800,000
Investments	15	12,021,591	14,164,997
Prepayments and other assets	11	168,627	144,047
Due from an affiliate	16	15,593,759	9,545,361
Cash and cash equivalents	13	33,602,059	56,621,236
Total Shareholders' Assets		**71,462,061**	91,328,681
TOTAL SHAREHOLDERS AND INSURANCE OPERATIONS' ASSETS		**443,417,593**	239,339,951
INSURANCE OPERATIONS' LIABILITIES			
Employees' end of service benefits	17	1,732,560	511,271
Unearned premiums	18	156,155,870	58,374,364
Mathematical reserve	19	33,833,742	-
Outstanding claims	8	46,027,457	1,663,076
Unearned commission income	20	1,731,863	736,891
Reinsurance balances payable		84,328,008	49,304,621
Accrued expenses and other liabilities	21	18,201,848	7,476,863
Due to an affiliate	16	29,944,184	29,944,184
Total Insurance Operations' Liabilities		**371,955,532**	148,011,270
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Due to insurance operations		24,873,121	25,337,634
Accrued expenses and other liabilities	21	3,322,855	53,040
Zakat payable	22	491,732	50,825
Total shareholders' liabilities		**28,687,708**	25,441,499
SHAREHOLDERS' EQUITY			
Share capital	23	100,000,000	100,000,000
Accumulated losses		(57,083,147)	(34,224,179)
Fair value reserve	15 (i)	(142,500)	111,361
Total shareholders' equity		**42,774,353**	65,887,182
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**71,462,061**	91,328,681
TOTAL INSURANCE OPERATIONS LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY		**443,417,593**	239,339,951

Statement of Insurance Operations
For The Period Ended 31 December 2009

	Note	For the year ended 31 December 2009 SR	For the period from 23 June 2007 to 31 December 2008 SR
Gross written premiums	26	337,831,422	77,908,114
Reinsurance premiums ceded		(189,395,489)	(65,937,744)
Net written premiums		**148,435,933**	11,970,370
Changes in unearned premiums	26	(48,299,677)	(58,374,364)
Reinsurance share of unearned premiums		27,208,847	50,068,631
Net change in unearned premiums		**(21,090,830)**	(8,305,733)
Net premiums earned	26	**127,345,103**	3,664,637
Commission earned during the year/period	20	13,062,609	214,344
Unrealized gain on unit linked investments, net		3,255,659	-
Fees and other income		543,207	-
Total revenues		**144,206,578**	3,878,981
Gross claims paid		(119,838,156)	(439,300)
Reinsurance share of claims paid		52,258,255	329,475
Net claims paid		**(67,579,901)**	(109,825)
Changes in gross outstanding claims		(12,085,342)	(1,663,076)
Changes in reinsurance share of outstanding claims		6,172,134	1,196,374
Net outstanding claims		**(5,913,208)**	(466,702)
Net claims incurred		**(73,493,109)**	(576,527)
Change in mathematical reserves		(15,078,063)	-
Commission expenses amortized during the year/period	9	(11,180,575)	(318,704)
Inspection and supervision fees		(1,689,158)	(389,541)
General and administrative expenses	27	(61,847,490)	(27,931,843)
Total claims and expenses		**(163,288,395)**	(29,216,615)
Net deficit for the year/period		**(19,081,817)**	(25,337,634)
Net deficit transferred to statement of shareholders' operations		**19,081,817**	25,337,634
Net result for the year/period		-	-

Statement of Shareholders' Operations
For The Period Ended 31 December 2009

	Note	For the year ended 31 December 2009 SR	For the period from 23 June 2007 to 31 December 2008 SR
Commission income		257,210	2,743,302
Realized gain on sale of available for sale investments		303,160	-
Amortisation of premium on held to maturity investments		(43,636)	(34,905)
Total revenues		**516,734**	2,708,397
Net deficit transferred from statement of insurance operations		(19,081,817)	(25,337,634)
General and administrative expenses	27	(3,852,978)	(319,506)
Pre-incorporation expenses, net		-	(10,504,494)
Net loss for the year / period		**(22,418,061)**	(33,453,237)
Basic loss per share	29	**(2.24)**	(3.35)

Statement of Shareholders' Comprehensive Income
For The Period Ended 31 December 2009

	For the year ended 31 December 2009 SR	For the period from 23 June 2007 to 31 December 2008 SR
Net loss for the year / period	(22,418,061)	(33,453,237)
Fair value change in available for sale investments, net	49,299	111,361
Total Comprehensive loss for the year / period	(22,368,762)	(33,341,876)

Statement of Changes In Shareholders' Equity
For The Period Ended 31 December 2009

	Share capital SR	Accumulated losses SR	Fair value reserve SR	Total SR
Issue of share capital	100,000,000	-	-	100,000,000
Net loss for the period	-	(33,453,237)	-	(33,453,237)
Fair value change in available for sale investments	-	-	111,361	111,361
Provision for zakat	-	(770,942)	-	(770,942)
Balance as at 31 December 2008	100,000,000	(34,224,179)	111,361	65,887,182
Balance as at 1 January 2009	100,000,000	(34,224,179)	111,361	65,887,182
Net loss for the year	-	(22,418,061)	-	(22,418,061)
Fair value change in available for sale investments	-	-	49,299	49,299
Net fair value change transferred to statement of shareholders' operations	-	-	(303,160)	(303,160)
Provision for zakat	-	(440,907)	-	(440,907)
Balance as at 31 December 2009	100,000,000	(57,083,147)	(142,500)	42,774,353

Statement of Insurance Operations' Cash Flows
For The Period Ended 31 December 2009

	Note	For the year ended 31 December 2009 SR	For the period from 23 June 2007 to 31 December 2008 SR
OPERATING ACTIVITIES			
Net result for the year / period		-	-
Adjustments for:			
Appropriation of deficit to shareholders' operations		(19,081,817)	-
Depreciation		2,851,635	3,167,449
Employees' end of service benefits		1,221,289	511,271
		(15,008,893)	3,678,720
Changes in operating assets and liabilities:			
Deferred policy acquisition costs		(4,378,874)	(632,839)
Premiums receivable, net		(88,405,444)	(58,687,080)
Due from shareholders' operations		19,546,330	(25,337,634)
Unit linked investments		(33,460,107)	-
Prepayments and others assets		(1,509,463)	(1,149,167)
Unearned premiums, net		40,691,949	8,305,733
Mathematical reserve		33,833,742	-
Outstanding claims, net		16,095,921	466,702
Unearned commission income		994,972	736,891
Reinsurance balances payable		35,023,387	49,304,621
Accrued expenses and other liabilities		10,724,985	7,476,863
Net cash from/(used in) operating activities		14,148,505	(15,837,190)
INVESTING ACTIVITIES			
Purchase of office equipment and furniture		(1,971,797)	(10,183,563)
Net cash used in investing activities		(1,971,797)	(10,183,563)
FINANCING ACTIVITIES			
Due to an affiliate		-	29,944,184
Net cash from financing activities		-	29,944,184
Net Changes In Cash And Cash Equivalents		12,176,708	3,923,431
Cash And Cash Equivalents At Beginning Of The Year/Period		3,923,431	-
Cash And Cash Equivalents At Beginning Of The Year/Period	13	16,100,139	3,923,431

Statement of Shareholders' Cash Flows
For The Period Ended 31 December 2009

	Note	For the year ended 31 December 2009 SR	For the period from 23 June 2007 to 31 December 2008 SR
OPERATING ACTIVITIES			
Net loss for the year / period		(22,418,061)	(33,453,237)
Adjustments for:			
Appropriation of deficit from insurance operations		19,081,817	-
Realized gain on sale of investments		(303,160)	-
Amortisation of premium on held to maturity investments		43,636	34,905
		(3,595,768)	(33,418,332)
Changes in operating assets and liabilities:			
Statutory deposit		(22,985)	(10,053,040)
Prepayments and other assets		(24,580)	(144,047)
Due to insurance operations		(19,546,330)	25,337,634
Accrued expenses and other liabilities		3,269,815	53,040
Cash used in operations		(19,919,848)	(18,224,745)
Zakat paid during the year / period		-	(720,117)
Net cash used in operating activities		(19,919,848)	(18,944,862)
INVESTING ACTIVITIES			
Purchase of available for sale investments		(9,354,091)	(12,810,000)
Proceeds of available for sale investments		10,303,160	-
Purchase of held to maturity investments		-	(2,078,541)
Proceeds of held to maturity investments		2,000,000	-
Net Cash From / (Used In) Investing Activities		2,949,069	(14,888,541)
FINANCING ACTIVITIES			
Issue of share capital		-	100,000,000
Due from an affiliate		(6,048,398)	(9,545,361)
Net cash (used in) / from financing activities		(6,048,398)	90,454,639
Net Changes in Cash and Cash Equivalents		(23,019,177)	56,621,236
Cash and Cash Equivalents at Beginning of the Year/Period		56,621,236	-
Cash and Cash Equivalents at End of the Year / Period	13	33,602,059	56,621,236
Non-cash supplemental information: Net changes in fair value of available for sale investments		(253,861)	111,361

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

Antoine Issa
Chief Executive Officer

Ayman Hegazy
Chief Financial Officer

Notes To The Financial Statements

For the Year Ended 31 December 2009

1. Organization and Principal Activities

Saudi Fransi Cooperative Insurance Company ('the Company') is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company operates through its seven branches in the Kingdom of Saudi Arabia, employing 345 employees as of 31 December 2009. 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 became listed on the Saudi stock exchange on 9 Rajab 1428H, corresponding to 23 July 2007.

During 2009, the Company resolved to change its name from 'Saudi Fransi Cooperative Insurance Company' to 'Allianz Saudi Fransi Cooperative Insurance Company'. The legal formalities to effect this name change are currently in progress.

As per the Company's by-laws, the Company's first fiscal year commenced on the issuance date of the Ministerial Resolution declaring the incorporation of the Company, which was 8 Jumada Thani 1428H corresponding to 23 June 2007, and ended on 31 December 2008.

2. Portfolio Transfer Agreement

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

3. Commercial Operations and Product Approval

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

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

During March 2008, SAMA granted the Company an authorisation to commence operations as soon as product approval and related formalities were completed.

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

4. Basis of Preparation

Basis of measurement

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

Statement of compliance

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

Basis of presentation

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

Functional and presentational currency

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

5. Summary of Significant Accounting Policies

The significant accounting policies adopted are as follows:

Change in accounting policies

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

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

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

New amendments and standards issued but not yet effective

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

Improvements to IFRSs 2009 – various standards	Effective date 1 January 2010
Amendments to IAS 32 Financial Instruments: Presentation classification of Rights Issues	Effective date 1 February 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Effective date 1 July 2010
IAS 24 Related Party Disclosures (revised 2009)	Effective date 1 January 2011
IFRS 9 Financial Instruments	Effective date 1 January 2013

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

Office equipment and furniture

The cost of office equipment and furniture is depreciated and amortised on the straight-line method over the estimated useful lives of the assets as follows:

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

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

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remaining of its lifetime, even if the insurance risk reduces significantly during this period.

Premiums receivable

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

Reinsurance

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in statement of insurance operations. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Foreign currencies

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

Investments

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

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

i - Investment at fair value through income statement

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

ii - Held to maturity

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

iii - Available for sale

Investments which are classified as available for sale are subsequently measured at fair value. Available for sale investments are those investments that are not held-to-maturity. For an available for sale investment, any gain or loss arising from a change in its fair value is recognized directly in statement of shareholders' equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the

cumulative gain or loss previously recognized in the shareholders' equity should be transferred to and recognised in the statement of shareholders' operations for the year/period. Available for sale investments whose fair value can not be reliably measured are carried at amortized cost less any impairment in value.

Cash and cash equivalents

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

Provision

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

Liability adequacy test

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

Leases

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

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Fiscal Regulations. Zakat is computed on the zakatable base of Saudi Founding and general public shareholders while income tax is computed on the Non-Saudi Founding shareholders' share of net adjusted income. Zakat and income tax, which are the liabilities of the shareholders, are accrued and debited to the accumulated losses under statement of shareholders equity. Accordingly, amounts reimbursable by the shareholders of such zakat and income tax are credited to accumulated losses.

Segmental reporting

An operating segment is a component of the Company that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Management Committees to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For management purposes, the Company is organized into business units based on their products and services and has five reportable operating segments as follows:

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

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

Employee end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees under the term and conditions of Saudi labour regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled should the employee leave at the balance sheet date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Kingdom of Saudi Arabia.

Revenue recognition

Gross premiums and commissions are recognised as revenue when the insurance policy is issued. Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. The change in the provision for unearned premiums is taken to the "Statement of Insurance Operations", over the period of risk. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on a daily pro-rata basis, except for marine cargo. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The unearned portion for marine cargo shall be the premium written during the last three months of the financial year.

Reinsurance premiums

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

Fees income on insurance contracts

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

Investment income - Available for sale investments

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

Investment income - Held to maturity investments

Income from held-to-maturity investments is recognised on a time proportion basis taking into account the effective yield on the investments.

Cash-settled share-based payment

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

Claims

Claims, comprising amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the Statement of Insurance Operations as incurred. Total outstanding claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following period is included in the underwriting account for that period.

Deferred policy acquisition costs (DPAC)

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, these costs are amortized on a straight-line basis based on the term of expected future premiums. Amortization is recorded in the statement of insurance operations. Changes in he expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

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

Mathematical reserve

The mathematical reserve is calculated on the basis of a prudent prospective external actuarial valuation method through the use of current unit fund prices.

Fair values

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

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

Impairment and uncollectibility of financial assets

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

- For assets carried at fair value, impairment loss is based on the decline in fair value.
- For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset
- For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate.

Derecognition of financial instruments

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of shareholders’ operations and insurance operations unless required or permitted by any accounting standard or interpretation.

Trade date accounting

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

6. Significant Accounting Estimates and Assumptions

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

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

Impairment of investments

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

Technical Reserve for insurance activities

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

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

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

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

- Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

Impairment losses on receivables

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

Deferred policy acquisition cost

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

7. Office Equipment and Furniture

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

	Computer and office equipment SR	Motor Vehicles SR	Furniture and fittings SR	Total 2008 SR
Cost:				
At the beginning of the period	-	-	-	-
Additions during the period and balanceat the end of the period (note 22)	5,753,690	682,190	3,747,683	10,183,563
Accumulated Depreciation:				
At the beginning of the period	-	-	-	-
Charge for the pre-incorporation period	529,548	56,532	32,904	618,984
Charge for the post-incorporation period	1,836,512	222,767	489,186	2,548,465
Balance at the end of the period	2,366,060	279,299	522,090	3,167,449
Net book value at 31 December 2008	3,387,630	402,891	3,225,593	7,016,114

8. Outstanding claims

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

	As at 31 December 2009 SR		
	Gross	Reinsurance share	Net
General insurance	1,663,076	(1,196,374)	466,702
Protection & Savings insurance	-	-	-
Total insurance outstanding claims	1,663,076	(1,196,374)	466,702

Opening balance	2009 (SR) Gross	2009 (SR) Reinsurance share	2009 (SR) Net	2008 (SR) Gross	2008 (SR) Reinsurance share	2008 (SR) Net
Reported claims	1,215,000	(1,196,374)	**18,626**	-	-	-
IBNR	448,076	-	**448,076**	-	-	-
	1,663,076	(1,196,374)	**466,702**	-	-	-
Provided during the year / period	131,923,498	(58,430,389)	**73,493,109**	2,102,376	(1,525,849)	576,527
Paid during the year / period	(87,559,117)	30,161,929	**(57,397,188)**	(439,300)	329,475	(109,825)
	46,027,457	(29,464,834)	**16,562,623**	1,663,076	(1,196,374)	466,702
As at December 31						
Reported Claims	41,231,457	(29,464,834)	**11,766,623**	1,215,000	(1,196,374)	18,626
IBNR	4,796,000	-	**4,796,000**	448,076	-	448,076
	46,027,457	**(29,464,834)**	**16,562,623**	1,663,076	(1,196,374)	466,702

9. Deferred Policy Acquisition Costs

	2009 (SR)	2008 (SR)
Balance at the opening of the year/period	632,839	-
Incurred during the year/ period	15,559,449	951,542
Amortisation for the year / period	(11,180,575)	(318,704)
Balance at the end of the year / period	**5,011,713**	632,839

10. Unit Linked Investments

The below investment represents, "Fair Value through Income Statement" (FVIS) investment, for unit-linked contracts as at 31 December 2009:

	As at 31 December 2009 SR
Local mutual funds	25,128,044
Foreign mutual funds	8,332,063
	33,460,107

The comparative figures as at 31 December 2008 were not presented as there were no unit linked investments as at 31 December 2008.

Market values of funds are as follows:

	As at 31 December 2009 SR
Al Badr Fund Saudi Riyal	19,879,619
Al Saffa Equity Fund	4,036,518
Al Danah GCC Equity Fund	1,139,333
AL Badr Fund US Dollar	3,372,220
Al Naqaa Asia Growth Fund US Dollar	1,118,598
Al Fursan Equity Fund US Dollar	3,841,244
Money Market Fund Saudi Riyal	38,964
Saudi Istithmar Fund	33,611
	33,460,107

The Company uses Level 2 hierarchy for determining and disclosing the fair value of financial instruments which is the quoted price in active markets for the same instrument without modification or repacking.

11. Prepayments and other Assets

	2009 (SR)		2008 (SR)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Prepaid rent	1,024,883	-	713,981	-
Deferred incentive plan costs (note 24)	541,212	-	435,186	-
Advances to employees	809,028	-	-	-
Accrued commission	-	167,467		144,047
Other assets	283,507	1,160	-	-
	2,658,630	**168,627**	1,149,167	144,047

12. Premiums Receivable, Net

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

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

			Past due but not fully impaired	
2008	Total	Neither past due nor impaired	Less than 180 days	More than 180 days
Amount in SR				
Premiums receivable	58,687,080	23,390,451	35,296,629	-
Provision for doubtful debts	-	-	-	-
Premiums receivable, net	58,687,080	23,390,451	35,296,629	-

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

Premium receivable balance includes receivable from related parties amounting to SR 2,192,449 (2008: Nil).

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

	2009 (SR)	2008 (SR)
Balance at the opening of the year/period	-	-
Transferred from Insaudi Insurance Company	5,560,021	-
	5,560,021	
Provided for the year/period	14,337,072	-
Balance at the end of the year/period	**19,897,093**	-

13. Cash and Cash Equivalents

	As at 31 December 2009 (SR)	As at 31 December 2008 (SR)
Insurance operations:		
Cash in hand	84,232	-
Cash at bank	16,015,907	3,923,431
	16,100,139	3,923,431
Shareholders' operations:		
Cash at bank	33,602,059	56,621,236
	33,602,059	56,621,236

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

14. Statutory Deposit

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 10,000,000 in a bank designated by SAMA. This deposit cannot be withdrawn without SAMA's consent. The Statutory deposit is maintained with Banque Saudi Fransi.

15. Investments

Investments are classified as follows:

		As at 31December 2009 (SR)	As at 31 December 2008 (SR)
Available for sale			
■ quoted securities	(i)	8,798,513	12,121,361
■ unquoted securities	(ii)	3,223,078	-
		12,021,591	12,121,361
Held to maturity			
Saudi Government Development Bonds		-	2,043,636
		12,021,591	14,164,997

i Available for sale – quoted securities

		(SR)	
	Cost	Market Value	Unrealised gain (loss)
SEC Sukuk	5,978,513	5,888,513	(90,000)
SABIC Sukuk	2,962,500	2,910,000	(52,500)
31 December 2009	**8,941,013**	**8,798,513**	**(142,500)**
SR Money Market Fund (managed by CAAM Saudi Fransi)	5,000,000	5,096,868	96,868
Al Badr Fund (managed by CAAM Saudi Fransi)	5,000,000	5,084,493	84,493
SEC Sukuk	2,010,000	1,940,000	(70,000)
31 December 2008	12,010,000	12,121,361	111,361

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

	2009 (SR)	2008 (SR)
Balance at the opening of the year / period	12,121,361	-
Acquisition during the period	6,931,013	12,010,000
Disposals during the period	(10,303,160)	-
Net change in fair value	49,299	111,361
Balance at the end of the year / period	**8,798,513**	12,121,361

The Company uses Level 2 hierarchy for determining and disclosing the fair value of financial instruments which is the quoted price in active markets for the same instrument without modification or repacking. The above securities fall under category "A" of investment grading

ii Available for sale –unquoted securities

	As at 31 December 2009 (SR)	As at 31 December 2008 (SR)
Najm Insurance Company	2,423,078	-
Saudi Next Care	800,000	-
	3,223,078	-

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

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

16. Related Party Transactions and Balances

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

Related party	Nature of transaction	2009 (SR)	2008 (SR)
Entities controlled, jointly controlled or significantly influenced by related parties.	Insurance premium	**26,394,925**	282,693
Entities controlled, jointly controlled or significantly influenced by related parties.	Claims	**10,307,984**	-
Entities controlled, jointly controlled or significantly influenced by related parties.	Premium cession	**15,536,102**	-
Entities controlled, jointly controlled or significantly influenced by related parties.	Other expenses		
	- Technical assistance fees	**1,439,727**	-
	- Management fees	**504,000**	-
	- Reimbursement of expenses paid to the Company	**-**	19,510,592
	- Pre-incorporation expenses and general & administration expenses paid on behalf of the Company	**730,142**	29,725,853
	- Office equipment and furniture acquired on behalf of the Company	**-**	10,183,563
Entities controlled, jointly controlled or significantly influenced by related parties.	Other income	**160,195**	2,944,449
Board members	Fees and related expenses	**128,500**	333,372
Key management personnel	Remuneration and related expenses	**4,927,587**	4,221,326

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. Certain significant available for sale investments are managed by an affiliate (CAAM Saudi Fransi).

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

		2009 (SR)	2008 (SR)
Insaudi Insurance B.S.C (Affiliate)	- Due to an affiliate (Insurance operations)	**29,944,184**	29,944,184
	- Due from an affiliate (Shareholders' operations)	**15,593,759**	9,545,361

17. Employees' End of Service Benefits

	2009 (SR)	2008 (SR)
Balance at the beginning of the year/period	511,271	-
Accrued for the year/period	1,688,449	511,271
Reversed during the year/period	(467,160)	-
Balance at the end of the year/period	**1,732,560**	511,271

18. Unearned Premiums

	2009 (SR)	2008 (SR)
Balance at the beginning the year/period	58,374,364	-
Transferred from Insaudi Insurance Company	49,481,829	-
	107,856,193	
Premiums written during the year/period	337,831,422	77,908,114
Premiums earned during the year/period	(289,531,745)	(19,533,750)
Balance at the end of the year/period	**156,155,870**	58,374,364

19. Mathematical Reserve

	2009 (SR)
Balance at the beginning the year/period	-
Transferred from Insaudi Insurance Company	18,755,679
	18,755,679
Surplus distribution provided for during the year/period	373,634
Changes in reserve during the year/period	14,704,429
Balance at the end of the year/period	**33,833,742**

The comparative figures as at 31 December 2008 were not presented as the Company did not have mathematical reserves as at 31 December 2008.

20. Unearned Commission Income

	2009 (SR)	2008 (SR)
Balance at the beginning the year/period	736,891	-
Received during the period	14,057,581	951,235
Earned during the period	(13,062,609)	(214,344)
Balance at the end of the year/period	**1,731,863**	736,891

21. Accrued Expenses and other Liabilities

	2009 (SR)		2008 (SR)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Withholding taxes	460,095	-	2,541,588	-
Accrued bonus	2,444,303	-	2,071,841	-
Consultation fees	2,162,646	3,317,455	874,637	-
Professional fees	3,040,634	-	-	-
Accrued leave	-	-	789,486	-
Commission payable	-	-	723,662	-
Inspection and supervision fees	491,143	-	389,541	-
Down payment on policies	5,138,907	-	-	-
Others	4,464,120	5,400	86,108	53,040
	18,201,848	**3,322,855**	7,476,863	53,040

Accrued expenses and other liabilities include payable to related parties amounting to SR 1,021,169 (2008: Nil).

22. Zakat and Income Tax

a) Zakat

Movement schedule in respect of zakat provision is as follows:

	2009 (SR)	2008 (SR)
Opening balance of Zakat provision	50,825	-
Provided during the period	440,907	770,942
Payment made during the period	-	(720,117)
Closing Balance of Zakat provision	**491,732**	50,825

b) Income Tax

No provision for income tax has been made in these financial statements as the Company incurred a loss during the year ended 31 December 2009.

c) Status of Assessments

The Company has filed tax and zakat declaration for the long period from 23 June 2007 to 31 December 2008. The Company is in the process of filing tax and Zakat returns for the period ended 31 December 2009 with the Department of Zakat and Income Tax.

23. Share Capital

The authorized and issued share capital of the Company is SR 100,000,000 as at 31 December 2009 consisting of 10,000,000 shares of SR 10 par value.

In December 2008, the Board of Directors has recommended an increase in the share capital by SR 100,000,000 through right issue, which was also approved by SAMA with subject to the approval of regulatory authorities. On 18 January 2010, the Board of Directors has decided to raise the amount of capital through rights issue to SAR 125,000,000 instead of SR 100,000,000. The Company has submitted the capital increase file to the CMA and waiting for final approval from CMA.

24. Equity Incentive Plan

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

Particulars	SAR Plan		RSU Plan	
Grant date	6 March 2008	12 March 2009	6 March 2008	12 March 2009
Term of the plan	7 years	5 years	5 years	4 years
Vesting period	2 Years	5 years	5 Years	4 years
Exercise period / date	5 years	11 March, 2014	6 March, 2013	11 March, 2013
Method of settlement	Settled in cash	Settled in cash	Settled in cash	Settled in cash

The obligation under the above plans is measured at fair value at the balance sheet date based on pricing information provided by Allianz Group. The fair value of such obligation determined is recognised in the statement of insurance operations on a straight line basis over the vesting period. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in statement of shareholders' operation for the period. Any future changes from the grant date of the options in the fair value of SAR's and RSU's have been fully covered for absolute amounts with Allianz Group thus restricting / capping the liability of the Company. During the year ended 31 December 2009, an amount of SR 433,286 was contributed toward the GEI plan (2008: SR 638,268)

25. Statutory Reserve

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

26. Premiums Written and Earned

For the year ended 31 December 2009 (SR)

	Gross	Reinsurance share	Net
General insurance	315,085,172	(185,852,742)	**129,232,430**
Life insurance	22,746,250	(3,542,747)	**19,203,503**
Written premiums	**337,831,422**	**(189,395,489)**	**148,435,933**
Unearned premium reserve	(48,299,677)	27,208,847	**(21,090,830)**
Earned premiums	**289,531,745**	**(162,186,642)**	**127,345,103**

For the period from 23 June 2007 to 31 December 2008 (SR)

	Gross	Reinsurance share	Net
Written premiums -General	77,908,114	(65,937,744)	11,970,370
Unearned premium reserve	(58,374,364)	50,068,631	(8,305,733)
Earned premiums	19,533,750	(15,869,113)	3,664,637

27. General and Administrative Expenses

	Year ended 31 December 2009 (SR)		For the period from 23 June 2007 to 31 December 2008 (SR)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Employees' costs	29,151,262	395,149	14,766,695	256,706
Provision for doubtful debts	14,337,072	-	-	-
Depreciation	2,851,635	-	2,548,465	-
Rent	2,395,693	-	2,243,545	-
Repair and maintenance	2,177,047	-	563,508	-

Consultation fees	1,894,127	3,432,129	2,110,167	-
Withholding taxes	1,763,088	-	2,848,200	-
Postage & telephone	900,370	-	-	-
Advertisement and promotion	732,164	-	891,632	-
Travel & transportation	519,461	-	-	-
Software maintenance	504,781	-	287,118	-
Board expenses	102,800	25,700	483,043	62,800
Incentive plan costs	327,260	-	203,054	-
Others	4,190,730	-	986,416	-
	61,847,490	**3,852,978**	27,931,843	319,506

28. Risk Management

Risk management strategy

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

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

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

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks. The risks faced by the Company and the way these risks are mitigated by management are summarized below:

a) Operational / Process Risk

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

b) Liquidity Risk

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

Maturity profile

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

As at 31 December 2009 Amount in SR	No fixed maturity	Up to 1 year	1-3 years	Total
Policy holders' assets				
Due from shareholders	-	24,873,121	-	24,873,121
Unit linked investments	33,460,107	-	-	33,460,107
Premiums receivable	-	109,772,466	37,320,058	147,092,524
Cash & cash equivalents	-	16,100,139	-	16,100,139
	33,460,107	150,745,726	37,320,058	221,525,891
Shareholders' assets				
Statutory deposit	10,076,025	-	-	10,076,025
Investments	12,021,591	-	-	12,021,591
Due from an Affiliate	-	15,593,759	-	15,593,759
Cash & cash equivalents	-	33,602,059	-	33,602,059
	22,097,616	49,195,818	-	71,293,434

As at 31 December 2009 Amount in SR	No fixed maturity	Up to 1 year	1-3 years	Total
Policy holders' liabilities				
Employees end of service benefits	1,732,560	-	-	1,732,560
Outstanding claims	-	46,027,457	-	46,027,457
Reinsurance balance payable	-	84,328,008	-	84,328,008
Accrued expenses & other payables	-	18,201,848	-	18,201,848
Due to an affiliate	-	29,944,184	-	29,944,184
	1,732,560	178,501,497	-	180,234,057
Shareholders' liabilities				
Due to insurance operations'	-	24,873,121	-	24,873,121
Accrued expeneses & other liabilities	-	3,322,855	-	3,322,855
Zakat payable	-	491,732	-	491,732
	-	28,687,708	-	28,687,708

As at 31 December 2008 Amount in SR	Less than 1 year	More than 1 year	Total
Policyholders' assets			
Due from shareholders	25,337,634	-	25,337,634
Premium receivable	44,357,984	14,329,096	58,687,080
Cash and cash equivalents	3,923,431	-	3,923,431
	73,619,049	14,329,096	87,948,145
Shareholders' assets			
Statutory deposit	-	10,053,040	10,053,040
Advance on investments	-	800,000	800,000
Investments	-	14,164,997	14,164,997
Due from an affiliate	9,545,361	-	9,545,361
Cash and cash equivalents	56,621,236	-	56,621,236
	66,166,597	25,018,037	91,184,634

As at 31 December 2008 Amount in SR	Less than 1 year	More than 1 year	Total
Policyholders' liabilities			
Employees' end of service benefits	-	511,271	511,271
Outstanding claims	1,663,076	-	1,663,076
Reinsurance balance payable	35,929,390	13,375,231	49,304,621
Accrued expenses and other payables	6,861,144	615,719	7,476,863
Due to an affiliate	29,944,184	-	29,944,184
	74,397,794	14,502,221	88,900,015
Shareholders' liabilities			
Due to policyholders	25,337,634	-	25,337,634
Accrued expenses	-	53,040	53,040
Zakat payable	50,826	-	50,826
	25,388,460	53,040	25,441,500

c) Credit Risk

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

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

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

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

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

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

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

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

Premiums receivable comprise a large number of receivables from, individual and corporate clients five premium receivable accounts constitute 24% of the same as at 31 December 2009. For 2008, the management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing.

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

	31 December 2009 (SR)	
	Insurance Operations	Shareholders' Operations
Premiums receivable	147,092,524	-
Reinsurance share of outstanding claims	29,464,834	-
Cash at bank	16,100,139	33,602,059
Statutory deposit	-	10,076,025
Investments	-	12,021,591
Due from an affiliate	-	15,593,759
	192,657,497	**71,293,434**

	31 December 2008 (SR)	
	Insurance Operations	Shareholders' Operations
Premiums receivable	58,687,080	-
Reinsurance share of outstanding claims	1,196,374	-
Cash at bank	3,923,431	56,621,236
Statutory deposit	-	10,053,040
Advances on investments	-	800,000
Investments	-	14,164,997
Due from an affiliate	-	9,545,361
	63,806,885	91,184,634

d) Interest Rate Risk

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

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2009. A hypothetical 10 basis points change in the weighted average interest rate of the floating rate cash at bank balances at 31 December 2009 would impact interest income by approximately SR 37,484, annually in aggregate.

e) Currency Exchange Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal. In addition, as the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant and have not been disclosed separately.

f) Equity price risk

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

A 5% change in the market price of the quoted available for sale investments, with all other variables held constant, would impact net equity by increase/ decrease of SR 439,926 (2008: SR 97,000).

g) Fund Price Risk

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

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

h) Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes.

The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements. Significant portion of reinsurance business ceded is placed on a quota share basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurance assets. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

i) Capital Management

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

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

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

j) Fair Value of Financial Instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims.

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

29. Loss Per Share

	2009 (SR)	2008 (SR)
Net loss for the year/period	22,418,061	33,453,237
Weighted average number of outstanding shares	10,000,000	10,000,000
Loss per share	2.24	3.35

Basic loss per share is calculated by dividing the net loss for the year/period by ordinary shares outstanding at the balance sheet date of 10 million shares.

The basis and diluted loss per share are same as there are no dilutive effects.

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

30. Contingencies

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

31. Segment Information

a) Business Segments

Consistent with the Company's internal reporting process, business segments have been approved by management in respect of the Company's activities.

For the year ended 31 December 2009	Motor	Engineering	Medical	Other General	Protection & Saving	Total
	SR	SR	SR	SR	SR	SR
Gross written premiums	62,756,092	71,954,846	103,201,743	77,172,491	22,746,250	337,831,422
Net premiums earned	45,039,735	5,621,590	44,452,232	13,525,736	18,705,810	127,345,103
Net underwriting results	5,695,967	6,221,381	15,161,980	10,329,550	2,931,554	40,340,432
Unallocated income	-	-	-	-	-	13,605,816
Unallocated expenses	-	-	-	-	-	(73,028,065)
Deficit from insurance operations						(19,081,817)

For the year ended 31 December 2009	Motor	Engineering	Medical	Other General	Protection & Saving	Total
	SR	SR	SR	SR	SR	SR
As at 31 December 2009						
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	69,868,243	11,432,638	25,259,881	597,426	107,158,188
Reinsurers' share of outstanding claims	822,659	9,391,665	2,295	18,026,844	1,221,371	29,464,834
Deferred policy acquisition costs	1,905,285	1,200,682	873,946	1,014,432	17,368	5,011,713
Unallocated assets	-	-	-	-	-	230,320,797
Total assets						371,955,532
Insurance operations liabilities						
Unearned premiums	25,288,985	75,993,614	21,998,085	31,790,328	1,084,858	156,155,870
Outstanding claims	10,001,924	9,711,078	3,054,107	21,556,797	1,703,551	46,027,457
Mathematical reserves	-	-	-	-	33,833,742	33,833,742
Unallocated liabilities	-	-	-	-	-	135,938,463
Total liabilities						371,955,532

The shareholders' balance and transactions are being disclosed under respective statements of shareholders'financial position and statements of shareholders' operations.

For the period ended 23 June 2007 to 31 December 2008	Motor	Engineering	Medical	Other General	Protection & Saving	Total
	SR	SR	SR	SR	SR	SR
Gross written premiums	-	61,810,850	16,097,264	-	-	77,908,114
Net premiums earned	-	1,265,997	2,398,640	-	-	3,664,637
Net underwriting results	-	932,728	1,765,841	-	-	2,698,569
Unallocated income	-	-	-	-	-	214,344
Unallocated expenses	-	-	-	-	-	(28,250,547)
Deficit from insurance operations						(25,337,634)
As at 31 December 2008						
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	43,977,503	6,091,128	-	-	50,068,631
Reinsurers' share of outstanding claims	-	1,196,374	-	-	-	1,196,374
Deferred policy acquisition costs	-	243,049	389,790	-	-	632,839
Unallocated assets	-	-	-	-	-	96,113,426
Total assets						148,011,270
Insurance operations liabilities						
Unearned premiums	-	48,345,969	10,028,395	-	-	58,374,364
Outstanding claims	-	1,220,588	442,488	-	-	1,663,076
Unallocated liabilities	-	-	-	-	-	87,973,830
Total liabilities						148,011,270

b) Geographical Segments

The Company, as at 31 December 2009, operated only in the Kingdom of Saudi Arabia.

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

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

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

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

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

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

33. Comparative Figures

Certain figures for the period ended 31 December 2008 have been reclassified to conform with the presentation of the current year.

34. Approval of the Financial Statements

These financial statements have been approved by the Board of Directors on 02 Rabi Awal 1431H, corresponding to 16 February 2010.