



His Royal Highness
**Prince Muqrin Bin
Abdulaziz Al-Saud**
Deputy Crown Prince
and Second Deputy Primer



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



His Royal Highness
**Prince Salman Bin
Abdulaziz Al-Saud**
Crown Prince, Deputy Prime Minister
and Interior Minister



In 2014, the Company will focus on growth in terms of number of sales people as well as points of sales. The Company will therefore expand its reach to various customer segments and continue to provide training to the sales force in order to ensure high level of service quality.

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Letter to Shareholders

Dear Shareholders,

It is my privilege to present, on behalf of the Board of Directors, the 6th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31st December 2013.

In a challenging environment, the Company showed in 2013 its ability to manage growth of both, its revenue and of its net profit, reaching its best results since its establishment.

The Net Income of SAR 12.8 Million representing a 25% Growth compared to 2012, is resulting from the efficiency of our underwriting policy as well as marketing and services initiatives that helped us attracting more business. This led also to a 20% increase of the Gross Written Premiums, reaching SAR 745 Million in 2013 compared to the SAR 621 Million achievement in 2012.

Xavier Denys has been appointed as Chief Executive Officer as of August 2013, succeeding Antoine Issa who has been promoted to a new role within the Allianz Group.

We continued to support and serve our clients through our products and services as well as reaching out to the local community through several Corporate Social Responsibility initiatives that are helping position us as a reliable corporate partner.

We have paid attention to our most valuable asset, our employees, via highly engaging Town Hall meetings, Technical Insurance Training sessions and internal development. This will help us to enrich their know-how and ensure higher satisfaction, which will be benefitting our customers.

For 2014 and the subsequent years, we have established plans to continue developing profitable growth with the aim to be amongst one of the leading Insurance companies in the Kingdom. We strive to fulfill Retail and Corporate customer needs with modern and innovative insurance solutions in various lines of business and through easy access to customers by various channels of distribution and highly motivated employees.

I express my sincere gratitude to all of our employees and distribution partners for this outstanding achievement. I remain convinced that a motivated and well-qualified workforce is of utmost importance and the basis for our success. Likewise the positive results of our annual Allianz Engagement Survey show that our employees continue to value Allianz Saudi Fransi as an attractive employer.

I would also like to express my deepest gratitude to the Custodian of the Two Holy Mosques King Abdullah Bin Abdul Aziz Al Saud 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. I take this opportunity to thank the Board of Directors, the Management and the Staff for their support and dedication.

Heinz Dollberg
Vice Chairman

The Board of Directors' Report

The Board of Directors (BOD) of Allianz Saudi Fransi Cooperative Insurance Company has the pleasure to present to the shareholders, the Company's 6th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2013.

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

1. Introduction

Allianz Saudi Fransi Cooperative Insurance Company is a joint stock company, founded upon the decision of the Council of Ministers No. 233 dated 16/9/1427 H, 9th October 2006 and the Royal Decree No. 60/M dated 18/09/1427 H, 11th October 2006.

The initial authorized and issued Capital of the Company was SAR 100 million. In April 2010, the Company increased its capital through rights issue. The share capital of the Company became SAR 200 million consisting of 20 million shares. The ownership of Allianz Saudi Fransi's shares as of 31st December 2013 is as follows:

- 32.50% Banque Saudi Fransi (BSF)
- 16.25% Allianz France – (100% owned by Allianz SE)
- 16.25% Allianz MENA Holding Bermuda – (100% owned by Allianz SE)
- Within the remaining 35% public shareholders the following own more than 1% shares:
 - 3.47% Mr. Hassan M. Rashed Al Nuaimi
 - 3.34% Mr. Fahad N. Ali Al Huraishi
 - 1.82% Mr. Mohammed M. Hamdan Al Mutairi
 - 1.00% Ms. Hadiyah A. Qamsha Ali

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

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

Our Vision is

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

Our Mission Statement is

Create Trust – Deliver Excellence from A to z

Our Strategy is

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

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

The Company will keep investing strongly to develop those distribution channels with the aim to further develop its market position in Property, Casualty and Health Business as well as in Protection and Savings products.

Our Values are

Expertise, Integrity and Sustainability.

3. Allianz Saudi Fransi Key Dates and Developments

Allianz Saudi Fransi witnessed since its incorporation many significant developments:

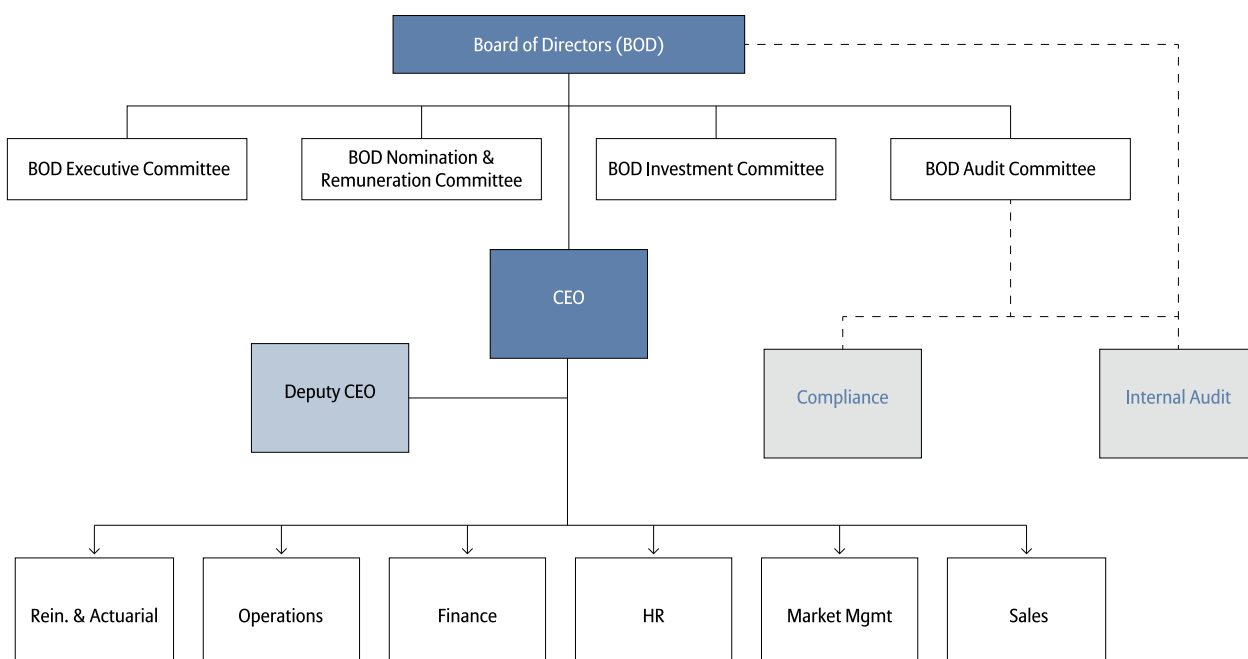
- **October 2006** The founders received the authorization to establish the Company as per Royal Decree No. 60/M
- **March 2007** The Company went public through an Initial Public Offering.
- **June 2007** The Constituting General Assembly was held.
- **March 2008** The operational license from SAMA (Ref: TMN/11/20083) was obtained.
- **September 2008** The Company moved to the New Head Office in Riyadh and received its first products' approval.
- **November 2008** SAMA approved the transfer of Insaudi portfolio subject to no goodwill.
- **January 2009** Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009.
- **March 2009** The individual Protection & Savings products approvals were received.
- **November 2009** Banque Saudi Fransi Bancassurance Protection & Savings products approvals are received.
- **April 2010** The Company completed its 10 million shares rights issue and the Capital became SAR 200 Million.
- **November 2010** Banque Saudi Fransi Bancassurance Portfolio transfer was completed.
- **February 2011** The Company obtained from SAMA the renewal of its operational license for another 3 years.

- **June 2011** The Company launched the Sharia Compliant Protection & Savings "Gold" Products.
- **January 2012** The Company restructured its Direct Sales Force for Retail Business as well as its branches.
- **August 2012** The Company restructured its Corporate Sales Force to better serve corporate and commercial customers.

- **January 2013** Launched common workflow platform for all Sales Channels including Sales Support function.
- **August 2013** Xavier Denys succeeded Antoine Issa as Chief Executive Officer.
- **January 2014** The Company obtained from SAMA the renewal of its operational license for 3 years.

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2013 is shown here below:



5. Top Management

The members of the Top Management of the Company are:

Name	Position	Year of Birth	Latest Degree
Xavier Denys*	Chief Executive Officer	1968	Masters of Commercial Engineering
Mohammed Basrawi	Deputy Chief Executive Officer	1957	Masters of Science, BA Civil Engineering,
Madeni Al Sumeiri	Head of HR & Gov. Relations	1963	Bachelor of Business Administration
Syed Hassan	Head of Market Management	1957	Masters of Science
Abdullah Mansury	Chief Financial Officer	1970	Doctoral thesis in financial statements, Master degree in Management, MBA in Finance
Khaled Ibrahim	Head of Sales	1978	Masters of Business Administration
Antoine Abou Faisal	Head of Reinsurance and Actuarial	1982	Bachelors Degree in Insurance and Actuarial Science

* With effect from August 1st 2013, Xavier Denys succeeded Antoine Issa as Chief Executive Officer.

6. Human Resources

Our employees' exceptional commitment and willingness to provide excellent service to our customers are crucial to our success. We place great emphasis and investment on fostering outstanding leadership, continuous talent and personal development. Developing employees' potential is key in order to achieve our primary goal of being a reliable partner to our customers. In 2013 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2013 the percentage of Saudi nationals within the company represented more than 68% of the total workforce.

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 (11) 874 9700 Fax: +966 (11) 874 9799
Jeddah	Suite 102, 1st Floor, Ewan Center, Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Tel: +966 (12) 283 2444 283 2589 Fax: +966 (12) 283 00222
Madinah	Office No. 501, 5th Floor, Abo Ouf Plaza Tower, Airport Road, Opposite to Badr Market	Tel: +966 (14) 836 2777 834 0627 834 0298 834 3788 Fax: +966 (14) 834 3111
Dammam	Business City Building, King Abdulaziz Street, Dammam, KSA	Tel: +966 (13) 831 5600 831 5606 Fax: +966 (13) 831 5609
Al Hasa	1st Floor, Al Harshan Tower, Dahrn Road, Mubarraz – Al Shorufiyah District	Tel: +966 (13) 531 4521 531 3625 531 2392 531 5249 531 3291 Fax: +966 (13) 582 8118

8. The Company's Products and Services

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

The Company provides corporate and individual solutions as listed hereunder:

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

9. Financial Highlights

a) Gross Written Premiums

The Gross Written Premiums amounted to SAR 745.9 Million for the twelve months ended December 2013 against SAR 621.2 Million for the twelve months ended December 2012 showing an increase of 20%. The split per line of business is as follows:

SAR Million	2013	2012	2011	2010	2009
■ Property, Casualty & Health:	568.3	416.6	510.8	468.7	315.1
a) Motor	153.5	85.1	86.3	84.9	62.8
b) Engineering	152.9	75.6	69.4	77.3	71.9
c) Medical:	61.6	82.3	134.7	158.1	103.2
d) Other General	200.3	173.6	220.4	148.4	77.2
■ Protection & Savings:	177.6	204.6	172.9	54.7	22.7

Property, Casualty and Health Gross Written Premiums increased by 36% compared to previous year (2012), while Protection & Savings Gross Written Premiums declined by 13% compared to previous year (2012).

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

The volumes generated in each region are summarized below:

SAR Million	2013	2012	2011	2010	2009
Central Region:	469.0	385.1	410.7	255.6	224.3
Western Region:	146.6	149.1	193.8	170.2	76.6
Eastern Region:	130.3	87.0	79.2	97.6	36.9

b) Net Premiums Earned

The Net Premiums Earned calculated after deducting the premiums ceded to reinsurers and the reserves for unearned premiums, amounted to SAR 354.5 Million for the twelve months ended December 2013 against SAR 351.8 Million for the twelve months ended December 2012.

Net Premium Earned increased by 1% compared to previous year 2012, less than the increase in Gross Written Premiums since a large part of the new businesses was generated in the second half of 2013. The remaining premium will be earned in 2014. Net Earned Premiums represents 48% of the Gross Written Premiums for the current year compared to 57% for the previous year.

c) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR (41.7) Million for the twelve months ended December 2013 against SAR (61.8) Million in 2012 due to the decrease of premium in this line of business.

The unrealized gain on unit-linked investment related to Protection & Savings products amounted to SAR 15.0 Million for the twelve months ended December 2013 against SAR 7.4 Million in 2012.

d) Other Income

Other Income represents the income generated from the available for sale investments allocated to insurance operations and administrative charges in Protection & Savings business, amounted to SAR 1.8 Million in 2013 against SAR 1.1 Million in 2012.

e) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (233.0) Million for the twelve months ended December 2013 against SAR (203.5) Million for the twelve months ended December 2012, representing an increase of 14.5%.

f) Net Commissions

The commissions paid to producers, net of the commissions received from reinsurers amounted to SAR (9.2) Million for the twelve months ended December 2013 against SAR (8.9) Million for the twelve months ended December 2012.

g) Premium Deficiency Reserve

In Health, the Company has set up a Premium Deficiency Reserve of SAR (0.9) Million to account for the losses spilled over from policies underwritten in 2012. Health business underwritten in 2013 has improved and hitherto resulted to a Combined Ratio below 100%.

h) General Expenses

The Company has incurred during 2013 insurance operations expenses of SAR (77.2) Million, against insurance operations expenses of SAR (80.0) Million during 2012. In addition, the Company incurred during 2013 expenses of SAR (0.8) Million allocated to the shareholders operations against expenses of SAR (0.6) Million during 2012.

Thanks to cost efficiency measures, the General Expenses have been lower in 2013 by 3.2 % against 2012.

i) Net Surplus from insurance operations

The technical result before shareholder investment income and before shareholder general expenses is showing a Net Surplus of SAR 9.3 Million for the twelve months ended December 2013 against a Net Surplus of SAR 6.1 Million for the twelve months ended December 2012, representing a substantial increase by 52% of that result.

j) Investments

The Company investments excluding investments from unit-linked Protection & Savings products as of December 2013 are summarized here below.

SAR Million	2013	2012	2011	2010	2009
Cash & cash equivalents:	52	33.3	74.6	42.3	49.7
Sukuk/Funds:	183.9	172.1	127.0	98.0	8.8
Subscription in Najm & NextCare Companies:	3.2	3.2	3.2	3.2	3.2
Held to maturity	-	-	-	-	-

The investment income excluding unrealized gain on investments from unit-linked Protection & Savings products and excluding Other Income has amounted to SAR 5.2 Million as of December 2013 against SAR 5.4 Million as of December 2012.

k) Net Income (Profit)

The result for the twelve months ended 31st December 2013 (the 6th fiscal year) is a Net Income of SAR 12.8 Million after a distribution of 10% of the Net Surplus from insurance operations at the amount of SAR 0.9 Million against a Net Income of SAR 10.3 Million after a distribution of 10% of the Net Surplus from insurance operations at the amount of SAR 0.6 Million for the twelve months ended 31st December 2012. This increase in Net Income is due to above mentioned cost efficiency improvement and focus on profitable segments. The earnings per share as of December 2013 are equivalent to SAR 0.64 against SAR 0.51 as of December 2012.

l) Assets

The total Assets of the Company as of 31st December 2013 amounted to SAR 1,475.5 Million split as follows:

SAR Million	2013	2012	2011	2010	2009
Insurance Operations' Assets	1,295.1	949.3	911.0	779.2	379.2
Shareholders' Assets	180.4	171.4	163.8	162.1	71.5

m) Shareholder's Equity

The Shareholder's Equity as of 31st December 2013 amounted to SAR 172.9 Million, split as follows:

SAR Million	2013	2012	2011	2010	2009
Share Capital	200.0	200.0	200.0	200.0	100.0
Accumulated Losses	(49.6)	(58.4)	(65.6)	(65.2)	(57.1)
Other Reserves	22.5	25.3	23.6	23.6	(0.2)

Other Reserves decreased by 11% due to unrealized losses on available for sale investments which amounted to SAR (0.2) Million, compared to unrealized gains of SAR 2.6 Million in 2012. The share premium remained constant at SAR 22.7 Million.

The Company confirms that it does not have any loans as of 31st December 2013.

n) Profit Distribution Strategy

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

- Zakat & Tax allocations are to be withheld.
- As per bylaws of the Company, the company shall allocate 20% of the Net Income of each period to the statutory reserve. The Company has not transferred any amounts to the statutory reserve due to accumulated losses as of 31st December 2013.
- The Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of net profits to build up reserves allocated for specific purposes.
- The remainder shall be distributed to shareholders as share profits or to be transferred to retained profits account.
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

As a cooperative insurance company, Allianz Saudi Fransi will distribute on a yearly basis 10% of the annual Net Surplus arising from its insurance operation to the policyholders in accordance with the rules and regulations applicable to cooperative insurance companies. This 10% of Net Surplus, if any, will be calculated at the end of each fiscal year, audited and distributed upon approval of the Saudi Arabian Monetary Agency (SAMA). For the year ending 2013, the company is having a Net insurance operations surplus after shareholders' appropriation of SAR 0.9 Million.

o) Financial highlights

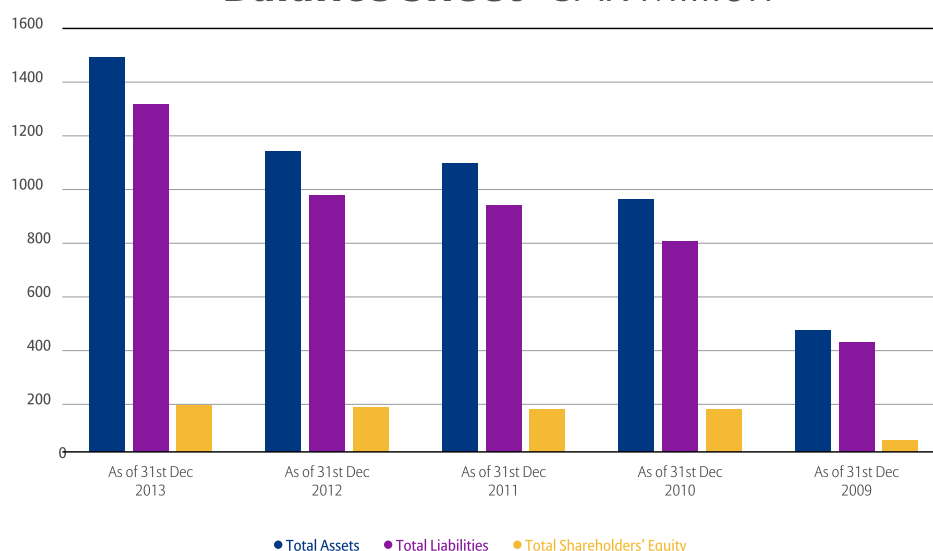
The following is a summary of the most important indicators for the past five years:

SAR Million	2013	2012	2011	2010	2009
Gross Written Premium	745.9	621.2	683.7	523.4	337.8
Net Premium Earned	354.5	351.8	354.7	233.2	127.3
Mathematical Reserve Change	(41.7)	(61.8)	(46.3)	(26.8)	(15.1)
Unrealised gain on UL	15.0	7.4	0.8	1.8	3.3
Other Income	1.8	1.1	1.2	0.7	0.5
Net Incurred Claims	(233.0)	(203.5)	(221.4)	(134.6)	(73.5)
Net Commissions	(9.2)	(8.9)	(13.8)	(12.2)	1.9
Premium Deficiency Reserve	(0.9)	-	-	-	-
General Expenses Insurance operations	(77.2)	(80.0)	(75.5)	(70.7)	(63.6)
Net Surplus for the year	9.3	6.1	(0.3)	(8.6)	(19.2)
Net insurance operations surplus after shareholders' appropriation for the year	(0.9)	(0.6)	-	-	-
Investment Income Shareholders	5.2	5.4	2.2	0.8	0.6
General Expenses Shareholders	(0.8)	(0.6)	(0.3)	(0.6)	(3.9)
Net Income – Profit *	12.8	10.3	1.6	(8.4)	(22.5)

* After surplus distribution, before Tax and Zakat.

Balance Sheet "SAR Million"	2013	2012	2011	2010	2009
Total Assets	1,475.5	1,120.7	1,074.8	941.3	450.7
Total Liabilities	1,302.6	953.8	916.8	782.9	408.0
Total Shareholders' Equity	172.9	166.9	158.0	158.4	42.7

Balance Sheet "SAR Million"



10. Corporate Governance, Regulations & Committees

a) The Compliance with Corporate Governance

In 2013, Allianz Saudi Fransi entirely complied with the CMA corporate governance regulations and SAMA guidelines except in the following minor issue:

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

b) Board of Directors

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

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

Name of the Board Members	Number of Shares beginning of year	Number of Shares end of year	Change in Number of Shares*	Board Member**	Representing	Member Classification
Abdullah Hassan Alabdulgader, Chairman ***	1,000	1,000	Nil	• CMA (1425 – 1430)	Public	Independent
Alwaleed Al Dryaan	1,000	1,000	Nil	• Alkhaleej Training & Education Co.	Public	Independent
Abdulrahman Jawa ***	Nil	Nil	Nil	• Banque Saudi Fransi	BSF	Non Executive
Patrice Couveignes	Nil	Nil	Nil	• CLSA (Hong Kong) • Banque Saudi Fransi • Credit Agricole (Shanghai) • Credit Agricole (Hong Kong)	BSF	Non Executive
Hugues de Roquette Buisson	Nil	Nil	Nil		Allianz France	Non Executive
Heinz Dollberg	Nil	Nil	Nil		Allianz MENA Holding Bermuda	Non Executive

* Owned by BOD members, their spouses or their children in Allianz Saudi Fransi.

** In other companies in KSA

*** Resigned from the Board as of 19/02/2014

Members of the Top Management		A. Issa*	X. Denys*	M. Sumeiri	S. Hassan	A. Mansury	M. Basrawi	K. Ibrahim	A. Abou Faisal
Number of Shares**	beginning of year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	End of year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* With effect from 1st August 2013, Xavier Denys replaced Antoine Issa as CEO.

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

c) Remuneration and Compensation of Board Members and Top Executives

The Remuneration and Compensation of Board Members and Top Executives (including the CEO, his Deputy, CFO, Head of Human Resource and Head of Market Management) during the 6th fiscal year ending 31st December 2013 were:

SAR	2013			2012		
	Non-executive Board Members**	Executive Board Members	Top 5 Executives	Non-executive Board Mebers**	Executive Board Members	Top 5 Executives
Salaries & Remunerations	Nil	Nil	3,711,087	Nil	Nil	3,678,386
Allowances / Attendance fees	170,000	Nil	490,000	167,000	Nil	529,583
Bonuses	Nil	Nil	1,716,694	Nil	Nil	1,173,252
Other Expenses	13,000	Nil	Nil	31,030	Nil	Nil
Other Benefits*	Nil	Nil	715,549	Nil	Nil	1,082,428
Total	183,000	Nil	6,633,330	198,030	Nil	6,463,649

* Other benefits include Global equity Incentive plan and other benefits such as Insurance.

** Including Chairman

Furthermore, one Top Executive received a loan from the Company in 2013 at the amount of SAR 132,000 with the last payback instalment due in January 2014.

d) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2013 there was no contract in which the Company was a party and it's Chief Executive Officer, Chief Financial Officer, Board Members or any other person who may have a relationship with any of them benefited from it. Moreover, there are no arrangements or agreements by which any of the members of the Board of Directors or any of the top executives or any of the shareholders of Allianz Saudi Fransi waived their interests or rights to receive dividends.

The Related-Party transactions and balances of shareholders and related affiliates during 2013 are related to the following activities:

- Insurance contracts with Banque Saudi Fransi and its related affiliates at best quotes.
- Fund Management with Banque Saudi Fransi and its related affiliates at best quotes.
- Re-insurance contracts with Allianz Group and its related affiliates at best quotes.
- Third-Party administration of Medical Insurance Claims with Nextcare SA

e) Regulatory Status

The Company enjoys a healthy relationship with the Regulators and appreciates their continuous support and guidance. No penalties were incurred by the Company in the year ending 31st Dec 2013.

f) BOD Committees

BOD Executive Committee

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

Main responsibilities include:

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

The Committee comprises the following members:

BOD Executive Committee	01/01/2013 to 07/08/2013	08/08/2013 to 31/12/2013
Patrice Couvignes	Chairman	Chairman
Heinz Dollberg	Member	Member
Abdulrahman Jawa	Member	Member
Hugues de Roquette-Buisson	Member	Member

The BOD Executive Committee met three times during 2013 with 83% attendance (92% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
26/11/2013	Patrice Couvignes, Heinz Dollberg, Hugues de Roquette-Buisson	75%	75%
29/04/2013	Patrice Couvignes, Heinz Dollberg, Abdulrahman Jawa, Hugues de Roquette-Buisson	100%	100%
23/01/2013	Patrice Couvignes, Heinz Dollberg, Abdulrahman Jawa	75%	100%

BOD Audit Committee

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

Duties and responsibilities of the Audit Committee include the following:

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

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

The Committee comprises the following members:

BOD Investment Committee	01/01/2013 to 07/08/2013	08/08/2013 to 31/12/2013
Hugues de Roquette Buisson	Chairman	Chairman
Abdulaziz Osman *	Member	Member
Yousef Al Mobarak **	Member (17/04/2013)	Member

* As of 21/11/2013, Abdulaziz Osman has resigned as a Committee Member.

** As of 17/04/2013 Yousef Al Mobarak succeeded Ibrahim Al Shaia as a Committee Member

The Committee's Chairman is a board member.

The Audit Committee met four times during 2013 with 84% attendance (92% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
16/07/2013	Hugues de Roquette-Buisson, Abdulaziz Osman, Yousef Al Mobarak	100%	100%
28/04/2013	Hugues de Roquette-Buisson, Abdulaziz Osman, Ibrahim Al Shaia	100%	100%
17/02/2013	Abdulaziz Osman, Ibrahim Al Shaia	67%	67%
23/01/2013	Abdulaziz Osman, Ibrahim Al Shaia	67%	100%

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

The above Audit Committee meetings covered the following major tasks:

- Met with the external auditors to discuss their Management Report and recommendations.
- Reviewed and approved the quarterly financials, including the Actuary and Risk management reports and the external auditors' reports and submitted the recommendations to the Board of Directors.
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.
- Reviewed the Compliance Activity Reports including the findings and corrective actions as well as complaints and legal cases.
- Reviewed the activities of the Internal Auditors and Compliance Team and ensured their independency.
- Updated the Internal Audit Manual and Procedures, added tasks & responsibilities in particular to the charter, and

submitted same to the Board of Directors for approval.

- Reviewed important correspondences with authorities including their comments and submitted related actions to the Board of Directors.
- Reviewed external contracts including external auditors, lawyer and consulting actuary and recommended the approval of the contracts to the Board of Directors.
- Review the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.

The Internal Audit Department has performed 10 regular missions and 15 ad-hoc missions during 2013 and has issued the corresponding reports including recommendations and agreed actions. These missions have covered most of the procedures in various company departments including Operations, Finance, Human Resources, Sales, Market Management and Reinsurance & Actuarial as well as subunits. The Audit Mission Reports did not show any significant or high risk findings but improvements needed that are already solved or under the process of completion as per the agreed time frame. The reports and implementation progress are regularly reviewed by the Audit Committee.

The Company has also implemented a Governance, Risk and Control Committee (GRC) mainly responsible for monitoring the activities of the Company related to Governance, Risks, Audit, Compliance, Anti Money Laundry, Anti Fraud, Code of Conduct and Anti Corruption. The GRC met 12 times during 2013 and the outcome did not show any major weakness but regular improvements needed that are already addressed or under completion.

The system of internal control has been effectively implemented and the Audit Committee is regularly following the results.

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

Duties and responsibilities of the Investment Committee include:

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

The Committee comprises the following members :

BOD Investment Committee	01/01/2013 to 07/08/2013	08/08/2013 to 31/12/2013
Abdulrahman Jawa	Chairman	Chairman
Alwaleed Al Dryaan	Member	Member
Heinz Dollberg / Hugues de Roquette-Buisson	Member	Member

The investment committee met four times during 2013 with 92% attendance (92% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
26/11/2013	Alwaleed Al Dryaan, Heinz Dollberg and Hugues de Roquette-Buisson	67%	67%
16/07/2013	Abdulrahman Jawa, Alwaleed Al Dryaan, Heinz Dollberg and Hugues de Roquette-Buisson	100%	100%
28/04/2013	Abdulrahman Jawa, Alwaleed Al Dryaan, Hugues de Roquette-Buisson	100%	100%
23/01/2013	Abdulrahman Jawa, Alwaleed Al Dryaan, Heinz Dollberg	100%	100%

Nomination & Remuneration Committee

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

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

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

BOD Nomination & Remuneration Committee	01/01/2013 to 07/08/2013	08/08/2013 to 31/12/2013
AlWaleed Al Dryaan	Chairman	Chairman
Abdulrahman Jawa	Member	Member
Heinz Dollberg	Member	Member

The N&R committee met four times during 2013 with 84% attendance (92% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
26/11/2013	Alwaleed Al Dryaan, Heinz Dollberg	67%	67%
28/04/2013	Alwaleed Al Dryaan, Abdulrahman Jawa	67%	100%
18/03/2013	Alwaleed Al Dryaan, Abdulrahman Jawa, Heinz Dollberg	100%	100%
23/01/2013	Alwaleed Al Dryaan, Abdulrahman Jawa, Heinz Dollberg	100%	100%

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

- Reviewed the new Board members qualifications and profiles
- Reviewed the remuneration of Board Members that remained unchanged as well as the Independent Members and submitted the recommendations to the Board of Directors.
- Reviewed the remuneration of Top Executives for 2013 as well as the remuneration adjustment mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the remuneration and employee benefits
- Reviewed the updates on the Company structure as well as the recruitment of new executives.
- Consistently monitored the Saudization status.
- Reviewed the new SAMA Regulation on Appointments to Senior Positions and devised a Recruitment Process accordingly.
- Reviewed and submitted for recommendation the CEO's Contract and Remuneration to the Board of Directors.

g) BOD Meetings

The BOD met four times during the year ended 31st December 2013 with attendance of 92% (96% with proxies).

BOD #	Date	Attendance	Percentage	Percentage with Proxy
26	26/11/2013	Abdullah Alabdulgader, Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvegnes, Hugues de Roquette-Buisson	83%	100%
27	16/07/2013	Abdullah Alabdulgader, Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvegnes, Abdulrahman Jawa, Hugues de Roquette-Buisson	100%	100%
28	29/04/2013	Abdullah Alabdulgader, Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvegnes, Abdulrahman Jawa, Hugues de Roquette-Buisson	100%	100%
29	23/01/2013	Abdullah Alabdulgader, Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvegnes, Abdulrahman Jawa	83%	100%

The above BOD meetings covered the following major tasks:

- Regularly analysed the Company performance and achievement versus plan including analysis of market information and Company Strategic positioning.
- Approved the Reinsurance Strategy for the year including the modification of terms.
- Approved the recommendations of the Nomination & Remuneration Committee concerning the Company Structure, the remuneration and bonuses of top executives as well as the remunerations and bonuses for the Company.
- Approved the strategy and the business plan for the following years.
- Discussed Human Resources and Talent Management.
- Approved the updates on the Company Manuals and Procedures following the Committee recommendations; during 2013 those updates mainly referred to Corporate Governance.
- Approved the recommendations of the Committees regarding external contracts including external auditors, tax consultant, legal consultant and external actuary noting that the company doesn't have any other management or technical agreement.
- Followed the activities of the various Committees including the Executive Committee, the Audit Committee, The Investment Committee and the Nomination & Remuneration Committee.
- Updated the Nomination & Remuneration Committee Charter.

h) Risk Management

During 2013, Allianz Saudi Fransi succeeded in aligning risk management activities with corporate strategy and objectives to preserve the shareholders' value.

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

The Risks are mentioned here below:

Operational/ Process Risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and 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.

Liquidity Risk

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Interest Rate Risk

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

Currency Exchange Risk

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

Market Risk

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

Fund Price Risk

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

Insurance Risk

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

Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis.

Fair Value of Financial Instruments

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

k) Zakat, Legal Payments, and Loans

Allianz Saudi Fransi allocated SAR 4,052,118 for Zakat and Tax in 2013 against SAR 3,020,270 allocated in 2012. There were no loans by the Company. The following table shows a list of legal payments and provisions for the year 2013 compared to the year 2012 and 2011 and 2010 and 2009.

SAR Million	2013	2012	2011	2010	2009
Customs Expenses	-	-	-	-	-
Zakat & Tax	4.0	3.0	1.8	0.1	0.4
GOSI Expenses	2.3	2.0	1.8	1.9	1.4
Visa & Passports	0.4	0.4	0.7	0.6	0.3
Inspection & Supervision Fees	4.3	3.9	4.7	4.2	2.7
Total	11.0	9.3	9.0	6.8	4.8

11. Future Plans

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

Direct Sales Force: In 2014, the Company will focus on growth in terms of number of sales people as well as points of sales. The Company will therefore expand its reach to various customer segments and continue to provide training to the sales force in order to ensure high level of service quality.

Bancassurance: In 2014, the focus of the Company will be on further improving the productivity of the Bancassurance agency and corporate business by leveraging the strong relations of our partner Banque Saudi Fransi with its corporate and commercial client base.

Corporate: Corporate Business continues to remain a priority of the Company. In 2014, the Company will further increase the number of preferred Brokers and focus on global business lines such as credit insurance.

Operations: We will further align the Corporate and Retail Underwriting with the Company's strategy. Additionally, its claims handling capabilities will be streamlined to enhance customer satisfaction and contribute to increasing the persistency of the portfolio.

Actuarial: In line with its Risk Strategy for 2014, the Company will continue to apply high-level technical standards and guidelines. It will review profitability per Line of Business and adjust the pricing strategy accordingly. Furthermore, the Company will ensure sound and prudent technical reserving practices.

Talent Management: During 2014 the company will continue its investments in human resources to attract and develop young talents and prepare future managers. The company builds on defining career paths and training programmes to achieve satisfaction and effectiveness among all employees.

12. External Independent Auditors and Accounting Standard

In 2013, the Ordinary General Assembly approved the BOD recommendation of renewing "Al Bassam Certified Public Accountants and consultants" and appointment of "Ernst and Young" as joint external auditors for the fiscal year ended 31st December 2013. The external auditors mandate has been renewed as per the board approval following biddings submitted by 5 firms, as well as the company's General Assembly approval.

The financial statements as at 31st December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS). The external independent auditors are of the opinion that the financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2013 in accordance with the International Financial Reporting Standards (IFRS).

13. Shariah Committee

The Company has a Shariah Committee composed of:

- Sheikh Dr. Muhammad A. Elgari
- Sheikh Abdullah Al Manea
- Sheikh Dr. Abdul Sattar AbuGhuddah

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

14. Board of Directors Declaration

The Board of Directors confirms the following:

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

Allianz Saudi Fransi Cooperative Insurance Company

Financial Statement

Together with the
Independent Auditors' Report
For the year ended 31 December 2013

Independent Auditors' Report

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

Scope of Audit

We have audited the accompanying statement of financial position of Allianz Saudi Fransi Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2013 and the related statements of income of insurance operations and shareholders' operations and comprehensive income of shareholders' operations for the year ended and the statements of changes in shareholders' equity and cash flows of insurance operations and shareholders' operations for the year then ended and the related notes which form an integral part of these condensed financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 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 material respects, the financial position of the Company as of 31 December 2013 and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- Comply with the requirements of the Regulations for Companies and the Company's bye-laws with respect to the preparation and presentation of the financial statements.

Emphasis of a matter

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

Al Bassam Certified Public Accountants and Consultants

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



Ibrahim A. Al Bassam
Certified Public Accountant



18 Rabi' II 1435 H
18 February 2014

Ernst & Young

P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia



Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354




Statement of Financial Position

	Note	As at 31 December 2013 SR	As at 31 December 2012 SR
Insurance Operations' Assets			
Equipment, furniture and vehicles	6	2,757,158	3,795,087
Reinsurers' share of outstanding claims	7	170,427,971	96,951,123
Reinsurers' share of unearned premiums	17	156,094,253	85,464,353
Deferred policy acquisition costs	8	17,532,344	12,328,124
Unit linked investments	9	573,574,486	533,238,604
Available for sale investments	14	39,704,393	29,881,185
Premiums receivable, net	11	239,253,312	128,717,315
Reinsurance balances receivable		39,243,929	23,900,534
Prepayments and other assets	10	6,262,059	2,070,710
Cash and cash equivalents	12	50,206,611	32,987,354
Total Insurance Operations' Assets		1,295,056,516	949,334,389
Shareholders' Assets			
Statutory deposit	13	20,076,025	20,076,025
Available for sale investments	14	147,464,448	145,447,419
Due from insurance operations		10,083,350	1,686,645
Prepayments and other assets	10	1,033,005	3,857,360
Cash and cash equivalents	12	1,815,310	341,510
Total Shareholders' Assets	12	180,472,138	171,408,959
Total Assets		1,475,528,654	1,120,743,348

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


 Xavier Denys
 Chief Executive Officer



 Heinz Dollberg
 BOD Member


 Abdullah Mansury
 Chief Financial Officer

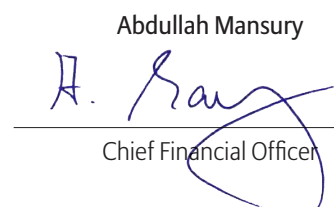
Statement of Financial Position

	Note	As at 31 December 2013 SR	As at 31 December 2012 SR
Insurance Operations' Liabilities			
Employees' end of service benefits	16	8,457,100	6,589,383
Unearned premiums	17	270,783,664	151,699,129
Unearned commission income	19	12,175,886	13,340,083
Mathematical reserve	18	576,114,237	534,437,849
Outstanding claims	7	226,444,490	146,860,735
Premium deficiency reserves		936,116	-
Due to shareholders' operations		10,083,350	1,686,645
Reinsurance balances payable		157,174,241	82,998,902
Accrued expenses and other liabilities	20	33,464,937	11,159,778
Total Insurance Operations' Liabilities		1,295,634,021	948,772,504
Insurance Operations' Surplus			
Accumulated surplus		1,547,917	614,950
Unrealized loss on available for sale investments	14	(2,125,422)	(53,065)
Total Insurance Operations' Liabilities and Surplus		1,295,056,516	949,334,389
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Zakat and income tax payable	22	7,487,408	4,420,173
Accrued expenses and other liabilities	20	117,522	91,625
Total Shareholders' Liabilities		7,604,930	4,511,798
Shareholders' Equity			
Share capital	23	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Accumulated losses		(49,618,841)	(58,382,671)
Unrealized (loss)/gain on available for sale investments	14	(225,266)	2,568,517
Total Shareholders' Equity		172,867,208	166,897,161
Total Shareholders' Liabilities and Equity		180,472,138	171,408,959
Total Insurance Operations Liabilities and Surplus and Shareholders' Liabilities and Equity		1,475,528,654	1,120,743,348

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


Xavier Denys
Chief Executive Officer



Heinz Dollberg
BOD Member


Abdullah Mansury
Chief Financial Officer


Statement of Income of Insurance Operations

	Note	For the year ended 31 December 2013	For the year ended 31 December 2012
		SR	SR
Gross written premiums	26	745,874,810	621,232,018
Reinsurance premiums ceded	26	(342,911,611)	(268,916,371)
Net written premiums		402,963,199	352,315,647
Changes in unearned premiums	26	(119,084,535)	33,868,705
Changes in reinsurance share of unearned premiums		70,629,900	(34,433,992)
Net change in unearned premiums		(48,454,635)	(565,287)
Net premiums earned	26	354,508,564	351,750,360
Commission earned during the year	19	27,722,688	30,818,622
Unrealized gain on unit linked investments		14,977,600	7,427,732
Other income		1,861,824	1,122,069
Total revenues		399,070,676	391,118,783
Gross claims paid	7	(354,680,227)	(352,716,413)
Reinsurance share of claims paid	7	127,834,625	151,923,563
Net claims paid		(226,845,602)	(200,792,850)
Changes in gross outstanding claims		(79,583,755)	(16,422,980)
Changes in reinsurance share of outstanding claims		73,476,848	13,720,673
Net outstanding claims		(6,106,907)	(2,702,307)
Net claims incurred		(232,952,509)	(203,495,157)
Change in premium deficiency reserves		(936,116)	-
Change in mathematical reserves	18	(41,676,388)	(61,840,917)
Commission expenses	8	(36,996,104)	(39,689,326)
Inspection and supervision fees		(4,345,880)	(3,929,404)
General and administrative expenses	27	(72,834,007)	(76,014,475)
Total claims and expenses		(389,741,004)	(384,969,279)
Net surplus for the year		9,329,672	6,149,504
Net surplus transferred to statement of income of shareholders' operations		(8,396,705)	(5,534,554)
Net insurance operations surplus after shareholders' appropriation for the year		932,967	614,950

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


Xavier Denys
Chief Executive Officer


Heinz Dollberg
BOD Member


Abdullah Mansury
Chief Financial Officer

Statement of Comprehensive Income of Insurance Operations

	Note	For the year ended 31 December 2013 SR	For the year ended 31 December 2012 SR
Net insurance operations surplus after shareholders' appropriation for the year		932,967	614,950
Other comprehensive income to be reclassified subsequently to the statement of income:			
Unrealized loss on available for sale investments		(2,025,157)	(53,065)
Realized gain on sale of available for sale investments disposal		(47,200)	-
Total comprehensive (loss) income for the year		(1,139,390)	561,885

Statement of Income of Shareholders' Operations

		For the year ended 31 December 2013 SR	For the year ended 31 December 2012 SR
Special commission income		5,299,279	4,486,724
Realised (loss)/gain on sale of available for sale investments		(100,750)	946,187
Total revenues		5,198,529	5,432,911
Net surplus transferred from statement of income of insurance operations			
General and administrative expenses	27	(779,286)	(687,616)
Net income for the year		12,815,948	10,279,849
Basic and diluted earnings per share	29	0.64	0.51

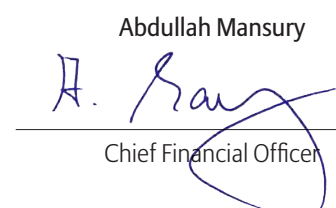
Statement of Comprehensive Income of Shareholders' Operations

	Note	For the year ended 31 December 2013 SR	For the year ended 31 December 2012 SR
Net income for the year		12,815,948	10,279,849
Other comprehensive income not to be reclassified subsequently to the statement of income:			
Provision for zakat & income tax (note 22)		(4,052,118)	(3,020,270)
Other comprehensive income to be reclassified subsequently to the statement of income:			
Unrealised (loss)/gain on available for sale investments		(2,894,533)	2,589,326
Realised loss/(gain) on sale of available for sale investments		100,750	(946,187)
Total comprehensive income for the year		5,970,047	8,902,718

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


Xavier Denys
Chief Executive Officer


Heinz Dollberg
BOD Member


Abdullah Mansury
Chief Financial Officer

Statement of Changes In Shareholders' Equity

	Share Capital SR	Share Premium SR	Accumulated Losses SR	Unrealised gain / (loss) on available for sale investments SR	Total SR
Balance as at 1 January 2012	200,000,000	22,711,315	(65,642,250)	925,378	157,994,443
Net income for the year	-	-	10,279,849	-	10,279,849
Other Comprehensive income:					
- Unrealized gain on available for sale investments	-	-	-	2,589,326	2,589,326
- Realized gain on sale of available for sale investments	-	-	-	(946,187)	(946,187)
- Provision for zakat & income tax	-	-	(3,020,270)	-	(3,020,270)
Total comprehensive income for the year	-	-	7,259,579	1,643,139	8,902,718
Balance as at 31 December 2012	200,000,000	22,711,315	(58,382,671)	2,568,517	166,897,161
Balance as at 1 January 2013	200,000,000	22,711,315	(58,382,671)	2,568,517	166,897,161
Net income for the year	-	-	12,815,948	-	12,815,948
Other Comprehensive income:					
- Unrealized loss on available for sale investments	-	-	-	(2,894,533)	(2,894,533)
- Realized loss on sale of available for sale investments	-	-	-	100,750	100,750
- Provision for zakat & income tax	-	-	(4,052,118)	-	(4,052,118)
Total comprehensive income for the year	-	-	8,763,830	(2,793,783)	5,970,047
Balance as at 31 December 2013	200,000,000	22,711,315	(49,618,841)	(225,266)	172,867,208

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


Xavier Denys
Chief Executive Officer


Heinz Dollberg
BOD Member


Abdullah Mansury
Chief Financial Officer

Statement of Cash Flows of Insurance Operations

	Note	For the year ended 31 December 2013 SR	For the year ended 31 December 2012 SR
Operating Activities			
'Net insurance operations surplus after shareholders appropriation for the year		932,967	614,950
Adjustments for:			
Employees' end of service benefits		3,061,673	1,283,486
Depreciation	6	1,407,096	1,614,034
Gain on disposal of office equipment and furniture		-	(138,400)
Gain on sale of available for sale investments		(47,200)	-
Unrealized gains on investments held at fair value through income statement		(14,977,600)	(7,427,732)
Shareholders' appropriation from insurance operations' surplus		8,396,705	5,534,554
Operating profit before changes in operating assets and liabilities		(1,226,359)	1,480,892
Changes in operating assets and liabilities:			
Deferred policy acquisition costs		(5,204,220)	1,893,732
Unit linked investments		(25,358,282)	(54,664,188)
Premiums receivable, net		(110,535,997)	(1,654,421)
Prepayments and others assets		(4,191,349)	(9,985)
Unearned premiums, net		48,454,635	(165,800)
Mathematical reserve		41,676,388	61,840,917
Outstanding claims, net		6,106,907	2,702,307
Premium deficiency reserves		936,116	-
Unearned commission income		(1,164,197)	(1,756,603)
Reinsurance balances payable, net		58,831,944	6,276,885
Accrued expenses and other liabilities		22,305,159	(13,127,217)
Cash from operations		30,630,745	2,816,519
Employees' end of service benefits paid		(1,193,956)	(723,613)
Net cash from operating activities		29,436,789	2,092,906
Investing Activities			
Purchase of office equipment and furniture	6	(369,167)	(1,085,292)
Proceeds from sale of office equipment and furniture		-	13,000
Proceeds from sale of available for sale investments		10,009,635	-
Purchases of available for sale investments	14	(21,858,000)	(29,934,250)
Net cash used in investing activities		(12,217,532)	(31,006,542)
Increase (Decrease) in Cash and Cash Equivalents		17,219,257	(28,913,636)
Cash and Cash Equivalents at Beginning of the Year		32,987,354	61,900,990
Cash and Cash Equivalents at End of the Year		50,206,611	32,987,354
Non-cash supplemental information:			
Net changes in fair value of available for sale investments		(2,025,157)	(53,065)

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

Xavier Denys

Chief Executive Officer

Heinz Dollberg

BOD Member


Abdullah Mansury

Chief Financial Officer


Statement of Cash Flows of Insurance Operations

		For the year ended 31 December 2013 SR	For the year ended 31 December 2012 SR
Operating Activities			
Net income for the year		12,815,948	10,279,849
Adjustments for: Realized loss/(gain) on sale of available for sale investments		100,750	(946,187)
Shareholders' appropriation from insurance operations' surplus		(8,396,705)	(5,534,554)
Operating surplus before changes in operating assets and liabilities		4,519,993	3,799,108
Changes in operating assets and liabilities:			
Prepayments and other assets		2,824,355	(3,059,426)
Accrued expenses and other liabilities		25,897	(24,400)
Cash from operations		7,370,245	715,282
Zakat and income tax paid during the year	22(c)	(984,883)	(424,550)
Net cash from operating activities		6,385,362	290,732
Investing Activities			
Purchase of available for sale investment	14	(14,911,562)	(83,523,310)
Proceeds from sale of available for sale investments	14	10,000,000	70,903,813
Net cash used in investing activities		(4,911,562)	(12,619,497)
Increase (Decrease) in Cash and Cash Equivalents			
Cash and cash equivalents at the beginning of the year		341,510	12,670,275
Cash and Cash equivalents at the end of the year	12	1,815,310	341,510
Non-cash supplemental information:			
Net changes in fair value of available for sale investments		(2,894,533)	2,589,326

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


Xavier Denys
Chief Executive Officer


Heinz Dollberg
BOD Member


Abdullah Mansury
Chief Financial Officer



**The Power
On
Your Side**



Notes To The Financial Statements

As at 31 December 2013

1. Organization And Principal Activities

Allianz Saudi Fransi Cooperative Insurance Company ('the Company') is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company has been licensed to conduct cooperative insurance business in the Kingdom of Saudi Arabia under cooperative principles in accordance with Royal Decree number 60/M dated 18 Ramadan 1427H (corresponding to 11 October 2006), pursuant to Council of Ministers resolution number 233 dated 16 Ramadan 1427H (corresponding to 9 October 2006). The Company operates through its 5 branches (2012: 5) in the Kingdom of Saudi Arabia. The registered office of the Company is located at Al Safwa Commercial Building, P O Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

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

2. Basis Of Preparation

Basis of measurement

The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and liabilities held at Fair Value through Income Statement (FVIS) investments and Available For Sale (AFS) investments.

Statement of compliance

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

Basis of presentation

The Company's Articles of Association require that separate accounts be maintained for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

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

Functional and presentational currency

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

3. New Standards Issued

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012 except for the adoption of following amendments and revisions to existing standards mentioned below which has had no financial impact on the financial statements of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 14.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Company), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Company's financial position or performance.

4. Summary Of Significant Accounting policies

The significant accounting policies adopted are as follows

Equipment, furniture and vehicles

Equipment, furniture and vehicles are stated at cost net of accumulated depreciation and any impairment in value. When significant parts of office equipment and furniture are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in statement of income as incurred. The cost of equipment, furniture and vehicles is depreciated and amortised on the straight-line method over the estimated useful lives of the assets as follows:

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

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

Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

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

Insurance contracts with discretionary participation feature (DPF)

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

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

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

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 income of insurance operations. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

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

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

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

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

Investments

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

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

i. Investment at fair value through income statement

Investments held to cover unit-linked liabilities represents investment associated with certain contracts, for which investment risk lies predominantly with the contract holder. These represent investment in units of mutual funds, which are readily marketable. Investment linked insurance contracts appearing in statement of income 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 income of insurance operations together with the changes in the mathematical reserve for investment linked insurance contracts.

ii. Held to maturity

Investments which have fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold till maturity, are classified as held to maturity. Held to maturity investments are subsequently measured at amortized cost using the effective interest method, less provision for impairment in value. Amortized cost is calculated by taking into account any discount

or premium on acquisition. Any gain or loss on such investments is recognized in the statement of shareholders' operations when the investment is derecognized or any loss when the investment is impaired.

iii. Available for sale

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

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 income of insurance operations. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Cash and cash equivalents

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

Provisions

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

Liability adequacy test

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

Employee end of service benefits

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

Revenue recognition

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

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

The Company commenced using the pre-defined calculation for Engineering class of business starting 1 January 2013. As only the calculation for deferring the premiums has been amended, this is a change in accounting estimate. This change in calculation is expected to have minimal impact on the net earned premiums of the Company for future years as the net retention of the Company in respect of Engineering business is considered to be minimal by Management.

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

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.

Dividend income

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

Reinsurance premiums

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

Claims

Claims, comprising amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of income 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.

Reinsurance claims

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

Deferred policy acquisition costs (DPAC)

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are 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 income of insurance operations. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the 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 income of insurance operations. DPAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

Mathematical reserve

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

Leases

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

Zakat and income tax

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

Cash-settled share-based payment

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

Segmental reporting

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

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

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

Foreign currencies

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

Fair values

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

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

Impairment and uncollectibility of financial assets

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

- 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 statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income of shareholders' operations and insurance operations unless required or permitted by any accounting standard or interpretation

Trade date accounting

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

5. Significant Accounting Estimates and Assumptions

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

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

Impairment of investments

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

Technical reserve for insurance activities

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

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

Fair values of financial instruments

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

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

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

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

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

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

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

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

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

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

Impairment losses on receivables

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

Deferred policy acquisition cost

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

6. Equipment, Furniture and Vehicles

	As at 31 December 2013 (SR)			
	Computer and office equipment SR	Motor vehicles SR	Furniture and fittings SR	Total 2013 SR
Cost:				
At the beginning of the year	8,278,326	952,597	5,515,375	14,746,298
Additions during the year	145,537	59,750	163,880	369,167
Balance at the end of the year	8,423,863	8,423,863	8,423,863	8,423,863
Accumulated Depreciation:				
At the beginning of the year	7,247,507	520,595	3,183,109	10,951,211
Charge for the year	480,776	158,370	767,950	1,407,096
Balance at the end of the year	7,728,283	678,965	3,951,059	12,358,307
Net book value at 31 December 2013	695,580	333,382	1,728,196	2,757,158

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

7. Outstanding Claims

	As at 31 December 2013 (SR)		
	Gross	Reinsurance share	Net
General insurance	219,874,579	(167,490,875)	52,383,704
Protection and saving insurance	6,569,911	(2,937,096)	3,632,815
Total outstanding claims	226,444,490	(170,427,971)	56,016,519

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

Movement of outstanding claims is as follows:

	2013 SR			2012 SR		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
As at 1 January						
Reported claims	133,350,692	(96,951,123)	36,399,569	113,414,034	(83,230,450)	30,183,584
IBNR	13,510,043	-	13,510,043	17,023,721	-	17,023,721
	146,860,735	(96,951,123)	49,909,612	130,437,755	(83,230,450)	47,207,305
Provided during the year	434,263,982	(201,311,473)	232,952,509	369,139,393	(165,644,236)	203,495,157
Paid during the year	(354,680,227)	127,834,625	(226,845,602)	(352,716,413)	151,923,563	(200,792,850)
	226,444,490	(170,427,971)	56,016,519	146,860,735	(96,951,123)	49,909,612
As at 31 December						
Reported Claims	213,027,485	(170,427,971)	42,599,514	133,350,692	(96,951,123)	36,399,569
IBNR	13,417,005	-	13,417,005	13,510,043	-	13,510,043
	226,444,490	(170,427,971)	56,016,519	146,860,735	(96,951,123)	49,909,612

8. Deferred policy Acquisition Cost

	As at 31 December 2013 (SR)	As at 31 December 2012 (SR)
Balance at the beginning of the year	12,328,124	14,221,856
Incurred during the year	42,200,324	37,795,594
Amortisation for the year	(36,996,104)	(39,689,326)
Balance at the end of the year	17,532,344	12,328,124

9. Unit Linked Investments

The below investment represents fair value for unit-linked contracts as at 31 December:

	As at 31 December 2013 (SR)	As at 31 December 2012 (SR)
Local currency funds	559,835,402	520,015,719
Foreign currency funds	13,739,084	13,222,885
	573,574,486	533,238,604

Portfolios of the funds are as follows:

	As at 31 December 2013 (SR)	As at 31 December 2012 (SR)
Al Ghad/Al Anjal low risk Fund	288,211,482	287,516,690
Al Badr Fund Saudi Riyal	168,953,944	141,419,253
Al Ghad/Al Anjal Murabaha Fund	59,292,839	62,840,724
Al Saffa Equity Fund	32,070,432	20,389,174
AL Badr Fund US Dollar	6,541,225	5,932,191
Al Fursan Equity Fund US Dollar	5,190,932	5,172,260
Al Danah GCC Equity Fund	4,322,222	2,861,806
Money Market Fund Saudi Riyal	3,710,254	2,888,472
Saudi Istithmar Fund	3,274,229	2,099,599
Al Naqaa Asia Growth Fund US Dollar	2,006,927	2,118,435
	573,574,486	533,238,604

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

10. Prepayments and Other Assets

	2013 (SR)	2013 (SR)	2013 (SR)	2013 (SR)
	Computer and office equipment SR	Motor vehicles SR	Furniture and fittings SR	Total 2012 SR
Receivable for Unit linked investments	4,168,095	-	-	-
Prepaid rent	1,321,439	-	1,447,502	-
Deferred incentive plan costs (note 24)	229,973	-	345,001	-
Accrued investment income	182,295	1,033,005	5,264	3,857,360
Other assets	360,257	-	272,943	-
	6,262,059	1,033,005	2,070,710	3,857,360

11. Premiums Receivable, Net

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

2013 SR	Total	Neither past due nor impaired	Past due not impaired	Past due and impaired Total	
			Up to 90 days	Less than 180 days	More than 180 days
Premiums receivable	274,222,087	-	190,198,581	30,910,258	53,113,248
Provision for doubtful debts	(34,968,775)	-	-	(4,636,539)	(30,332,236)
Premiums receivable, net	239,253,312	-	190,198,581	26,273,719	22,781,012

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

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

Movement of allowance for doubtful debts is as follows:

	2013 SR	2012 SR
Balance at the beginning of the year	30,482,461	30,112,276
Provided for the year	4,486,314	5,887,607
Premium receivable written off during the year	-	(5,517,422)
Balance at the end of the year	34,968,775	30,482,461

12. Cash and Cash Equivalents

	2013 (SR)		2012 (SR)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in hand	680,148	-	127,144	-
Cash at bank	49,526,463	1,815,310	32,860,210	341,510
	50,206,611	1,815,310	32,987,354	341,510

13. Statutory Deposit

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 20,000,000 in a bank designated by SAMA. The accrued interest on deposit is the same as for the previous year; SR 76,025 (2012: SR 76,025). This deposit cannot be withdrawn without SAMA's consent. The statutory deposit is maintained with Banque Saudi Fransi, a shareholder of the Company.

14. Available for Sale Investments

Investments are classified as follows:

a) Insurance operations' available for sale investments:

	2013 SR	2012 SR
Bonds-quoted	24,585,094	4,848,750
Funds-quoted	15,119,299	25,032,435
Total	39,704,393	29,881,185

The cumulative unrealised loss in fair value of available for sale investments amounting to SR 2,125,422 (31 December 2012: SR 53,065) is presented within the insurance operation' surplus in the statement of financial position.

Bonds are rated AA by Standard & Poor's however Funds are unrated.

b) Movement in available for sale investments is as follows:

	2013 SR	2012 SR
Balance at the beginning of the year	29,881,185	-
Acquisition during the year	21,858,000	29,934,250
Disposals during the year	(10,009,635)	-
Unrealized loss on available for sale investments	(2,025,157)	(53,065)
Balance at the end of the year	39,704,393	29,881,185

c) Shareholders' available for sale investments:

As at 31 December 2013 (SR)

	Quoted	Unquoted	Total
Bonds	95,140,988	-	95,140,988
Sukuk	-	41,005,000	41,005,000
Funds	8,095,382	-	8,095,382
Equities	-	3,223,078	3,223,078
Total	103,236,370	44,228,078	147,464,448

As at 31 December 2012 (SR)

	Quoted	Unquoted	Total
Bonds	93,084,505	-	93,084,505
Sukuk	-	46,100,500	46,100,500
Funds	3,039,336	-	3,039,336
Equities	-	3,223,078	3,223,078
Total	96,123,841	49,323,578	145,447,419

The cumulative (loss)/gain in fair value of available for sale investments amounting to SR 225,266 (31 December 2012: SR 2,568,517) is presented within the shareholders' equity in the statement of financial position.

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

d) Movement in available for sale investments is as follows:

	2013 SR	2012 SR
Balance at the beginning of the year	145,447,419	130,238,596
Acquisition during the year	14,911,562	83,523,310
Disposals during the year	(10,000,000)	(70,903,813)
Unrealized (loss) gain on available for sale investments	(2,894,533)	2,589,326
Balance at the end of the year	147,464,448	145,447,419

e) Credit Rating

Following is the credit rating of available for sale investments:

Credit quality	Credit Rating Agency	Financial Instrument	31 December 2013	31 December 2012
Very strong quality AA	S&P/ Moody's	Bonds / Sukuks	29,091,300	30,857,213
Strong quality A+	S&P	Bonds / Sukuks	94,956,000	86,130,505
Satisfactory quality A-	S&P	Sukuk	5,000,000	5,000,000
Unrated	N/A	Equities/Sukuk/ Mutual Funds	18,417,148	23,459,701

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

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

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

f) Determination of fair value and fair values hierarchy

As at 31 December, the financial instruments under insurance and shareholder operations are measured at fair value using level 1 hierarchy for bonds and funds and level 3 for sukuk and equities.

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

i. Policyholders operations

	31 December 2013 (SR)			
	Level 1	Level 2	Level 3	Total
Bonds	24,585,094	-	-	24,585,094
Funds	15,119,299	-	-	15,119,299
Total	39,704,393	-	-	39,704,393

	31 December 2012 (SR)			
	Level 1	Level 2	Level 3	Total
Bonds	4,848,750	-	-	4,848,750
Funds	25,032,435	-	-	25,032,435
Total	29,881,185	-	-	29,881,185

ii. Shareholders' operations

	31 December 2013 (SR)			
	Level 1	Level 2	Level 3	Total
Bonds	95,140,988	-	-	95,140,988
Sukuk	-	-	41,005,000	41,005,000
Funds	8,095,382	-	-	8,095,382
Equities	-	-	3,223,078	3,223,078
Total	103,236,370	-	44,228,078	147,464,448

	31 December 2012 (SR)			
	Level 1	Level 2	Level 3	Total
Bonds	93,084,505	-	-	93,084,505
Sukuk	-	-	46,100,500	46,100,500
Funds	3,039,336	-	-	3,039,336
Equities	-	-	3,223,078	3,223,078
Total	96,123,841	-	49,323,578	145,447,419

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements during the year ended 31 December 2013 and year ended 31 December 2012.

15. Related Party Transactions and Balances

The following are the details of major related party transactions during the year ended 31 December 2013 and 31 December 2012 and the related affiliate's balances as at 31 December 2013 and 31 December 2012:

Related party	Nature of transaction	2013 SR	2012 SR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Insurance premium written	23,033,062	34,371,438
	- Insurance premium ceded	66,893,537	22,085,731
	- Gross claims paid	13,920,491	4,552,914
	- Reinsurance share of claims paid	31,789,276	4,933,623
	- Commission expense	5,647,347	6,893,243
	- Commission income	4,029,023	1,043,859
	Other expenses		
	- Third party administrator (TPA) fees	2,795,427	2,540,240
Key management personnel	Remuneration and related expenses	6,633,330	6,463,649
Board members	Fees and related expenses	183,000	198,030

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer of the Company. All Unit Linked investments and certain significant available for sale investments are managed by an affiliate, Saudi Fransi Capital.

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

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

		As at 31 December 2013 SR	As at 31 December 2012 SR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Accrued expenses	1,364,423	2,788,153
	- Premium receivable, net	10,396,381	13,306,896
	- Reinsurance balance payable	53,768,406	15,426,074
	Fees and related expenses	2,095,003	4,112,802

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

16. Employees' End of Service Benefits

	2013 SR	2012 SR
Balance at the beginning of the year	6,589,383	6,029,510
Provided for the year	3,061,673	1,283,486
Paid during the year	(1,193,956)	(723,613)
Balance at the end of the year	8,457,100	6,589,383

17. Unearned Premiums

	2013 SR	2012 SR
Balance at the beginning of the year	66,234,776	66,400,576
Net premiums written during the year	402,963,199	352,315,647
Net premiums earned during the year	(354,508,564)	(351,750,360)
	114,689,411	66,965,863
Add: reinsurance share of unearned premium	156,094,253	85,464,353
Less: ceased policies	-	(731,087)
Balance at the end of the year	270,783,664	151,699,129

18. Mathematical Reserve

	2013 SR	2012 SR
Balance at the beginning of the year	534,437,849	472,596,932
Change in mathematical reserves and surplus during the year	41,676,388	61,840,917
Balance at the end of the year	576,114,237	534,437,849

19. Unearned Commission Income

	2013 SR	2012 SR
Balance at the beginning of the year	13,340,083	15,096,686
Commission received during the year	26,558,491	29,062,019
Commission earned during the year	(27,722,688)	(30,818,622)
Balance at the end of the year	12,175,886	13,340,083

20. Accrued Expenses and Other liabilities

	2013 (SR)		2012 (SR)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Accrued bonus	4,954,142	-	4,111,543	-
Inspection and supervision fees	1,249,130	-	685,948	-
Regulatory fees	616,507	-	823,244	-
Consultation and professional fees	289,628	-	470,381	-
Claims payable	7,101,350	-	4,886,584	-
Payable to related party, net	18,592,292	-	-	-
Others	661,888	117,522	182,078	91,625
	33,464,937	117,522	11,159,778	91,625

21. Claims Development Table

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

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

2013	2009 & Earlier	2010	2011	2012	2013	Total
Accident Year						
Estimate of ultimate claims cost:						
At the end of accident year	59,050,374	98,798,242	102,649,881	104,912,265	128,901,897	-
One year later	70,699,098	121,466,369	119,446,266	113,276,124	-	-
Two years later	71,409,891	118,045,703	117,065,243	-	-	-
Three years later	69,739,655	115,515,172	-	-	-	-
Four years later	69,840,953	-	-	-	-	-
Current estimate of cumulative net claims	69,840,953	115,515,172	117,065,243	113,276,124	128,901,897	544,599,389
Cumulative payments to date	(69,216,214)	(115,145,628)	(113,224,928)	(108,156,653)	(82,839,447)	(488,582,870)
Net liability recognised in statement of financial position	624,739	369,544	3,840,315	5,119,471	46,062,450	56,016,519

The frequency and severity of claims can be affected by several factors like natural disasters, flood, environmental and economical, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risk through the measures described above. The Company has limited its exposure to catastrophic and riot events by use of reinsurance arrangements. The Company believes that the claim liabilities under insurance contracts outstanding at the year end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. However, the sensitivity to changes in claim liabilities net of reinsurance by 5 percent is analysed separately for each class of business while keeping all other assumptions constant. A hypothetical 5% change in claims ratio would impact income by approximately SR 17,725,428 (2012: SR: 17,733,538).

22. Provision for Zakat and Income Tax

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

	2013 SR	2012 SR
Provision for zakat	2,213,463	2,022,185
Provision for income tax	1,838,655	998,085
	4,052,118	3,020,270

(a) Zakat

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

	2013 SR	2012 SR
Opening share capital	200,000,000	200,000,000
Reserves and opening provisions	7,375,529	(5,389,246)
Closing value of long term assets	(26,431,732)	(21,234,518)
	180,943,797	173,376,236
Zakatable income for the year	21,763,605	11,814,037
Zakat Base	202,707,402	185,190,273
Total Saudi share of zakat base (43.678 %)	88,538,539	80,887,407
Zakat due at 2.5% on Saudi shareholding	2,213,463	2,022,185

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

(b) Income tax

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

	2013 SR	2012 SR
Net income for the year	12,815,948	10,279,849
Add: Inadmissible expenses	10,734,255	9,157,275
Less : Admissible expenses	(1,786,598)	(7,623,087)
Adjustment of brought forward losses	(5,440,898)	(2,953,508)
Taxable income	16,322,707	8,860,529
Non Saudi base (56.322%)	9,193,275	4,990,427
Provision for income tax (20%)	1,838,655	998,085

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

	2013 SR	2012 SR
Opening balance of zakat and tax payable	4,420,173	1,824,453
Provided during the year	4,052,118	3,020,270
Payment made during the year	(984,883)	(424,550)
Closing balance of zakat and tax payable	7,487,408	4,420,173

(d) Status of assessments

The Company has filed tax and zakat declaration for the years ended 31 December 2008 to 2012 and the assessments for these years are still outstanding. The Company has filed appeal against Department of Zakat and Income Tax (DZIT) assessment of additional zakat arising from disallowance of long term investments from zakat base for the years 2010, 2011 and 2012 amounting to SR 5.89 million.

The Company has booked the additional Zakat provision in the financial statements.

The Company is in the process of filing tax and zakat returns for the year ended 31 December 2013 with the (DZIT).

23. Share Capital

The authorized and issued share capital of the Company is SR 200,000,000 as at 31 December 2013 and 2012 consisting of 20,000,000 shares of SR 10 par value.

24. Equity Incentive Plan

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

The obligation under the above plans is measured at fair value at the balance sheet date based on pricing information provided by Allianz Group. The fair value of such obligation determined is recognised in the statement of income of insurance operations on a straight line basis over the vesting period. Any future changes from the grant date in the fair value of RSU's have been fully covered for absolute amounts with Allianz Group thus restricting/capping the liability of the Company. During the year ended 31 December 2013, an amount of SR 668,125 was accrued toward the GEI plan (2012: SR 660,000).

25. Statutory Reserve

In accordance with its bylaws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the capital. The Company has not transferred any amount to statutory reserve due to the fact that the Company has accumulated losses as at 31 December 2013.

26. Premiums Written and Earned

	For the year ended 31 December 2013 (SR)		
	Gross	Reinsurance	Net
General insurance	568,313,022	10,734,255	234,558,741
Protection and saving insurance	177,561,788	7,823,064	168,404,458
Written premiums	745,874,810	(342,911,611)	402,963,199
Change in unearned premiums	(119,084,535)	70,629,900	(48,454,635)
Premiums earned	626,790,275	(272,281,711)	354,508,564

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

27. General and Administrative Expenses

	Year ended 31 December 2013		Year ended 31 December 2012	
	SR		SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Employees' costs	52,121,266	714,687	52,306,571	617,410
Consultation fees	5,142,197	-	7,273,167	-
Provision for doubtful debts (note 11)	4,486,314	-	5,887,607	-
Rent	2,822,283	-	3,020,993	-
Depreciation (note 6)	1,407,096	-	1,614,034	-
Repair and maintenance	1,391,470	-	1,522,310	-
Postage and telephone	1,109,842	-	1,444,760	-
Advertisement and promotion	595,126	-	496,103	-
Travel and transportation	478,036	-	334,705	-
Board expenses	118,397	64,599	127,824	70,206
Others	3,161,980	-	1,986,401	-
	72,834,007	779,286	76,014,475	687,616

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) Insurance risk

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

The insurance risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Protection & Saving

For Protection & Saving, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various levels of underwriting carried out, including

declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also conducts financial, lifestyle and occupational underwriting to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life. Also conducts financial, lifestyle and occupational underwriting to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

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

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

General Insurance

Frequency and amounts of claims

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

Medical

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

Motor

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

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

Fire and burglary

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

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

Marine

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim.

Engineering

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

Public liability

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

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

c) 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 summarises the expected utilisation or settlement of assets and liabilities.

Maturity analysis on expected maturity bases	As at 31 December 2013			
	SR			
	Amount in SR	Non- current	Unit-Linked	Total
Insurance operations' assets				
Equipment, furniture and vehicles	-	2,757,158	-	2,757,158
Reinsurers' share of outstanding claims	170,427,971	-	-	170,427,971
Reinsurers' share of unearned premiums	156,094,253	-	-	156,094,253
Deferred policy acquisition costs	17,532,344	-	-	17,532,344
Unit linked investments	-	-	573,574,486	573,574,486
Available for sale investments	-	39,704,393	-	39,704,393
Premiums receivable, net	239,253,312	-	-	239,253,312
Reinsurance balances receivable	39,243,929	-	-	39,243,929
Prepayments and other assets	6,262,059	-	-	6,262,059
Cash and cash equivalents	50,206,611	-	-	50,206,611
	679,020,479	42,461,551	573,574,486	1,295,056,516
Shareholders' assets				
Statutory deposit	-	20,076,025	-	20,076,025
Available for sale investments	-	147,464,448	-	147,464,448
Due from insurance operations	10,083,350	-	-	10,083,350
Prepayments and other assets	1,033,005	-	-	1,033,005
Cash & cash equivalents	1,815,310	-	-	1,815,310
	12,931,665	167,540,473	-	180,472,138
Insurance operations' liabilities				
Employees' end of service benefits	-	8,457,100	-	8,457,100
Unearned premiums	270,783,664	-	-	270,783,664
Unearned commission income	12,175,886	-	-	12,175,886
Mathematical reserve	-	-	576,114,237	576,114,237
Outstanding claims	226,444,490	-	-	226,444,490
Premium deficiency reserves	936,116	-	-	936,116
Due to shareholders' operations	10,083,350	-	-	10,083,350
Reinsurance balances payable	157,174,241	-	-	157,174,241
Accrued expenses and other liabilities	33,464,937	-	-	33,464,937
	711,062,684	8,457,100	576,114,237	1,295,634,021
Shareholders' liabilities				
Provision for zakat and income tax	7,487,408	-	-	7,487,408
Accrued expenses and other liabilities	117,522	-	-	117,522
	7,604,930	-	-	7,604,930

Maturity analysis on expected maturity bases

As at 31 December 2012
SR

Insurance operations' assets	Amount in SR	Non- current	Unit-Linked	Total
Equipment, furniture and vehicles	-	3,795,087	-	3,795,087
Reinsurers' share of outstanding claims	96,951,123	-	-	96,951,123
Reinsurers' share of unearned premiums	85,464,353	-	-	85,464,353
Deferred policy acquisition costs	12,328,124	-	-	12,328,124
Unit linked investments	-	-	533,238,604	533,238,604
Available for sale investments	-	29,881,185	-	29,881,185
Premiums receivable, net	128,717,315	-	-	128,717,315
Reinsurance balances receivable	23,900,534	-	-	23,900,534
Prepayments and other assets	2,070,710	-	-	2,070,710
Cash and cash equivalents	32,987,354	-	-	32,987,354
	382,419,513	33,676,272	533,238,604	949,334,389
Shareholders' assets				
Statutory deposit	-	20,076,025	-	20,076,025
Available for sale investments	-	145,447,419	-	145,447,419
Due from insurance operations	1,686,645	-	-	1,686,645
Prepayments and other assets	3,857,360	-	-	3,857,360
Cash & cash equivalents	341,510	-	-	341,510
	5,885,515	165,523,444	-	171,408,959
Insurance operations' liabilities				
Employees' end of service benefits	-	6,589,383	-	6,589,383
Unearned premiums	151,699,129	-	-	151,699,129
Unearned commission income	13,340,083	-	-	13,340,083
Mathematical reserve	-	-	534,437,849	534,437,849
Outstanding claims	146,860,735	-	-	146,860,735
Premium deficiency reserves	-	-	-	-
Due to shareholders' operations	1,686,645	-	-	1,686,645
Reinsurance balances payable	82,998,902	-	-	82,998,902
Accrued expenses and other liabilities	11,159,778	-	-	11,159,778
	407,745,272	6,589,383	534,437,849	948,772,504
Shareholders' liabilities				
Provision for zakat and income tax	4,420,173	-	-	4,420,173
Accrued expenses and other liabilities	91,625	-	-	91,625
	4,511,798	-	-	4,511,798

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 2013 SR				
	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Insurance operations' assets					
Reinsurers' share of outstanding claims	-	170,427,971	-	-	170,427,971
Unit linked investments	573,574,486	-	-	-	573,574,486
Available for sale investments	15,119,299	-	-	24,585,094	39,704,393
Premiums receivable	-	239,253,312	-	-	239,253,312
Reinsurance balances receivable	-	39,243,929	-	-	39,243,929
Cash & cash equivalents	-	50,206,611	-	-	50,206,611
	588,693,785	499,131,823	-	24,585,094	1,112,410,702
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	20,076,025
Available for sale investments	11,318,460	1,005,000	72,157,750	62,983,238	147,464,448
Due from insurance operations	-	10,083,350	-	-	10,083,350
Cash & cash equivalents	-	1,815,310	-	-	1,815,310
	31,394,485	12,903,660	72,157,750	62,983,238	179,439,133
Insurance operations' liabilities					
Employees end of service benefits	8,457,100	-	-	-	8,457,100
Mathematical reserve	576,114,237	-	-	-	576,114,237
Outstanding claims	-	226,444,490	-	-	226,444,490
Due to shareholders operations	-	10,083,350	-	-	10,083,350
Reinsurance balance payable	-	157,174,241	-	-	157,174,241
Accrued expenses and other payables	-	33,464,937	-	-	33,464,937
	584,571,337	427,167,018	-	-	1,011,738,355
Shareholders' liabilities					
Accrued expenses and other liabilities	-	117,522	-	-	117,522
Zakat payable	-	7,487,408	-	-	7,487,408
	-	7,604,930	-	-	7,604,930

	As at 31 December 2012				
	SR				
	No fixed maturity	Up to 1 year	2-5 years	More than 5 years	Total
Insurance operations' assets					
Reinsurers' share of outstanding claims	-	96,951,123	-	-	96,951,123
Unit linked investments	573,574,486	-	-	-	533,238,604
Available for sale investments	15,119,299	-	-	4,848,750	29,881,185
Premiums receivable	-	128,717,315	-	-	128,717,315
Reinsurance balances receivable	-	23,900,534	-	-	23,900,534
Cash & cash equivalents	-	32,987,354	-	-	32,987,354
	558,271,039	282,556,326	-	4,848,750	845,676,115
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	20,076,025
Available for sale investments	6,262,414	10,100,000	69,019,551	60,065,454	145,447,419
Due from insurance operations	-	1,686,645	-	-	1,686,645
Cash & cash equivalents	-	341,510	-	-	341,510
	26,338,439	12,128,155	69,019,551	60,065,454	167,551,599
Insurance operations' liabilities					
Employees end of service benefits	6,589,383	-	-	-	6,589,383
Mathematical reserve	534,437,849	-	-	-	534,437,849
Outstanding claims	-	146,860,735	-	-	146,860,735
Due to shareholders operations	-	1,686,645	-	-	1,686,645
Reinsurance balance payable	-	82,998,902	-	-	82,998,902
Accrued expenses and other payables	-	11,159,778	-	-	11,159,778
	541,027,232	242,706,060	-	-	783,733,292
Shareholders' liabilities					
Accrued expenses and other liabilities	-	91,625	-	-	91,625
Zakat payable	-	4,420,173	-	-	4,420,173
	-	4,511,798	-	-	4,511,798

d) Credit risk

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

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

- To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance counterparties. Accordingly, as a pre-requisite, the parties with whom reinsurance is affected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into insurance and reinsurance contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's investments mainly comprise of debt securities and mutual funds. The Company does not have an internal grading mechanism for investments. The Company limits its credit risk on investments by setting out a minimum acceptable security rating level affirming their financial strength.

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 48% of the same as at 31 December 2013 (2012: 15%).

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

	As at 31 December 2013 (SR)		
	Insurance Operations	Shareholders' Operations	Total
Premiums receivable	232,151,962	-	232,151,962
Reinsurance share of outstanding claims	170,427,971	-	170,427,971
Cash at bank	50,206,611	1,815,310	52,021,921
Reinsurance balances receivable	39,243,929	-	39,243,929
Available for sale investments	24,585,094	136,145,988	160,731,082
	516,615,567	158,037,323	674,652,890

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

e) Special commission rate risk

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

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2013. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2013 would impact special commission income by approximately SR 160,000 (2012; 160,000) annually in aggregate.

f) Currency exchange risk

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

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

g) Fund price risk

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

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

h) Market risk

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

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

A 1% change in the market price of the quoted available for sale investments, with all other variables held constant, would impact net equity by increase/ decrease of SR 1,032,364 (2012: SR 1,422,243).

i) Capital management

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

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

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

j) Fair value of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, receivables, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims. The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position.

29. Basic and Diluted Earnings per Share

	Year ended 31 December 2013	Year ended 31 December 2012
Net income for the year (SR)	12,815,948	10,279,849
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic and diluted earnings per share – (SR)	0.64	0.51

30. Contingencies

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

31. Segment Information

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

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

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

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

Operating segments

Following are the operating segments identified for segment reporting purposes;

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

For the year ended 31 December 2013	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
	Saudi Riyals							
Gross written premiums	153,532,997	152,866,012	61,650,606	122,788,033	77,475,374	177,561,788	-	745,874,810
Reinsurance premium ceded	(5,056,482)		(30,579,101)		(54,662,945)	(9,157,331)	-	(342,911,611)
Net written premium	148,476,515	14,471,070	31,071,505	17,727,223	22,812,429	168,404,457	-	402,963,199
Net premiums earned	102,959,538	11,646,821	31,530,212	16,439,512	23,012,212	168,920,269	-	354,508,564
Unrealized gain on unit linked investments	-	-	-	-	-	14,977,600	-	14,977,600
Net claims incurred	(81,561,204)	(1,328,453)	(26,436,717)	(5,810,566)	(5,130,143)	(112,685,426)	-	(232,952,509)
Change in premium deficiency reserves	-	-	(936,116)	-	-	-	-	(936,116)
Change in mathematical reserves	-	-	-	-	-	(41,676,388)	-	(41,676,388)
Commission (expenses)/income, net	(10,821,343)	4,159,227	(2,294,787)	5,311,642	2,133,429	(7,761,584)	-	(9,273,416)
Inspection and supervision fees	(767,665)	(764,330)	(924,759)	(613,940)	(387,377)	(887,809)	-	(4,345,880)
Net underwriting results	9,809,326	13,713,265	937,833	15,326,648	19,628,121	20,886,662	-	80,301,855
Unallocated income	-	-	-	-	-	-	-	1,861,824
Unallocated expenses	-	-	-	-	-	-	-	(72,834,007)
Surplus from insurance operations	-	-	-	-	-	-	-	9,329,672
retained in Insurance operations	-	-	-	-	-	-	-	(932,967)
Shareholders' total revenue	-	-	-	-	-	-	5,198,529	5,198,529
General & administrative expenses	-	-	-	-	-	-	(779,286)	(779,286)
Net income for the year								12,815,948

As at 31 December 2013	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
	Saudi Riyals							
Insurance Operations'								
Assets								
Reinsurers' share of unearned premiums	314,324	95,571,727	5,632,599	37,942,244	15,328,013	1,305,346	-	156,094,253
Reinsurers' share of outstanding claims	4,255,297	45,710,175	-	96,636,544	20,888,859	2,937,096	-	170,427,971
Deferred policy acquisition costs	8,332,998	4,332,878	483,349	2,313,611	1,220,343	849,165	-	17,532,344
Premium Receivable, gross	75,128,511	106,719,814	29,517,657	28,467,372	29,843,859	4,544,874	-	274,222,087
Provision for doubtful debts	-	-	-	-	-	-	-	(34,968,775)
Unit linked investments	-	-	-	-	-	573,574,486	-	573,574,486
Unallocated assets	-	-	-	-	-	-	-	138,174,150
Shareholders' assets	-	-	-	-	-	-	-	180,472,138
Total assets								1,475,528,654
Insurance Operations'								
Liabilities								
Unearned premiums	83,815,827	105,399,645	12,020,013	44,999,010	22,805,062	1,744,107	-	270,783,664
Outstanding claims	28,158,013	48,328,347	6,944,135	105,742,337	30,701,747	6,569,911	-	226,444,490
Unearned commission income	32,200	6,702,603	-	4,276,158	1,112,200	52,725	-	12,175,886
Premium deficiency reserves	-	-	936,116	-	-	-	-	936,116
Mathematical reserves	-	-	-	-	-	576,114,237	-	576,114,237
Unallocated liabilities and surplus								208,602,123
Shareholders' liabilities and equity								180,472,138
Total Insurance Operations liabilities, surplus and Shareholders' liabilities and equity								1,475,528,654

For the year ended 31 December 2012	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
	Saudi Riyals							
Gross written premiums	85,139,484	75,664,607	82,324,376	99,241,396	74,262,476	204,599,679	-	621,232,018
Reinsurance premium ceded	(3,358,423)	(63,726,685)	(38,113,389)	(84,796,412)	(53,778,369)	(25,143,093)	-	(268,916,371)
Net written premium	81,781,061	11,937,922	44,210,987	14,444,984	20,484,107	179,456,586	-	352,315,647
Net premiums earned	80,699,448	11,382,355	47,586,474	14,627,214	18,576,593	178,878,276	-	351,750,360
Unrealized gain on unit linked investments	-	-	-	-	-	7,427,732	-	7,427,732
Net claims incurred	(65,643,056)	(1,338,326)	(35,656,861)	(3,287,372)	(4,409,573)	(93,159,969)	-	(203,495,157)
Change in mathematical reserves	-	-	-	-	-	(61,870,704)	-	(61,870,704)
Commission (expenses)/income, net	(10,266,898)	4,818,447	(3,909,665)	6,332,683	3,643,126	(9,488,397)	-	(8,870,704)
Inspection and supervision fees	(425,697)	(378,323)	(1,234,866)	(496,207)	(371,313)	(1,022,998)	-	(3,929,404)
Net underwriting results	4,363,797	14,484,153	6,785,082	17,176,318	17,438,833	20,793,727	-	81,041,910
Unallocated income	-	-	-	-	-	-	-	1,122,069
Unallocated expenses	-	-	-	-	-	-	-	(76,014,475)
Surplus from insurance operations	-	-	-	-	-	-	-	6,149,504
retained in Insurance operations	-	-	-	-	-	-	-	(614,950)
Shareholders' total revenue	-	-	-	-	-	-	5,432,911	5,432,911
General & administrative expenses	-	-	-	-	-	-	(687,616)	(687,616)
Net income for the year								10,279,849

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

b) Geographical segments

The Company during the year ended 31 December 2013, operated only in the Kingdom of Saudi Arabia.

32. Prospective Changes in Accounting Standards

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective:

IFRS 9 Financial Instruments

On 19 November 2013, the IASB issued a new version of IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39). IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. IFRS 9 (2013) also replicates the amendments in IAS 39 in respect of novations. The standard does not have a mandatory effective date, but it is available for application now. A new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial statements. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of IFRS 9 at the same time. An accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 is available for of their hedging relationships. They may later change that policy and apply the hedge accounting requirements in IFRS 9 before they eventually become mandatory. This choice is intended to be removed when the IASB completes its project on accounting for macro hedging.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

33. Comparative Figures

Certain figures for the year ended 31 December 2012 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 18 Rabi Thani 1435 H, corresponding to 18 February 2014.



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