His Royal Highness
Prince Muhammad Bin Nayef Bin Abdulaziz Al Saud
Second Crown Prince
Second Deputy Prime Minister
And Minister of Interior

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

His Royal Highness
Prince Muqrin Bin Abdulaziz Al-Saud
Crown Prince
First Deputy Prime Minister,

During 2014, the Saudi insurance market witnessed intense competition among the market players and pricing factors were influential for the business activities. Despite this competitive environment, Allianz Saudi Fransi focused on profitable developments and succeeded in achieving the highest level of profitability in the history of the company.

Please visit
www.allianzsf.com

Content

Chairman's Statement

Dear Shareholders,

It is my privilege to present, on behalf of the Board of Directors, the 7th Annual Report and Financial Statements of Allianz Saudi Fransi Cooperative Insurance Company pertaining to the fiscal year ending 31 December 2014.

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

During 2014, the Saudi insurance market witnessed intense competition among the market players and pricing factors were influential for the business activities. Despite this competitive environment, Allianz Saudi Fransi focused on profitable developments and succeeded in achieving the highest level of profitability in the history of the company.

The Company showed a Net Income of SAR 15.7 Million representing a 23% Growth compared to 2013, and this is result of a prudent and efficient underwriting policy as well as marketing and services initiatives that helped us attract new key customers.

Allianz Saudi Fransi was entrusted as one of the Riyadh Metro Project insurers. The company covers Phases 1 and 2 of the project. This demonstrates the trust of our local capabilities combined with the strength of renowned brands such as Allianz and Banque Saudi Fransi.

Thanks to the support of Banque Saudi Fransi, our Corporate Bancassurance channel showed important developments in terms of business and in terms of regional expansion. Such development allowed Allianz Saudi Fransi to strengthen the service provided to the bank's customers.

With respect to specialty business, the company focused on developing its capabilities in terms of Credit Insurance. Double-digit growth was recorded in that line of business thanks to the improvement of our sales capacity especially in Eastern and Western regions.

In 2015 the company will further focus on developing its distribution channels including digital services. Our plans are focusing on profitable growth development to be amongst one of the leading Insurance companies in the Kingdom. We aim at fulfilling Retail and Corporate customer needs with modern and innovative insurance solutions in various lines of business and through easy access to customers by various channels of distribution and highly motivated employees.

I would like to express my deepest condolences to the citizens of Saudi Arabia on the death of King Abdullah Bin Abdulaziz Al Saud, and also convey my support to the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al Saud and his Crown Prince wishing them success and prosperity.

I would also like to thank the Saudi Arabian Monetary Agency, the Council of Cooperative Health Insurance, the Capital Market Authority and the Ministry of Commerce & Industry. I take this opportunity to thank the Board of Directors, the Management and the Staff for their support and dedication.

Ammar Al Khudairy
Chairman

The Board of Directors' Report

The Board of Directors (BOD) of Allianz Saudi Fransi Cooperative Insurance Company has the pleasure to present to the shareholders, the Company's 7th Annual Report together with the audited financial statements for the fiscal year ending on 31st December 2014.

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 161427/9/ H, 9th October 2006 and the Royal Decree No. 60/M dated 181427/09/ 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 2014 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)

- As of 31st December 2014, within the remaining 35% public shareholders, no one owns more than 1% share.

The Company has received its operational license (Ref: TMN/1120083/) from the Saudi Arabian Monetary Agency (SAMA) on 301429/02/ H, 8th March 2008 and has successfully renewed it on 301432/02/ H– 5th February 2011 and on 291435/02/ H - 1st January 2014 for another 3 years period

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

Our Vision is

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

Our Mission Statement is

Create Trust – Deliver Excellence from A to z

Our Strategy is

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

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

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

Our Values are

Expertise, Integrity and Sustainability.

3. Allianz Saudi Fransi Key Dates and Developments

Allianz Saudi Fransi witnessed since its incorporation many significant developments mainly:

2014

- **January :** The Company obtained from SAMA the renewal of its operational license for 3 years.
- **May :** Mr. Ammar Al Khudairy appointed as new Chairman of the Company
- **September :** D&O Liability and Medical Malpractice Insurance Products approved by SAMA
- **November :** Mr. Oliver Bäte, Future CEO of Allianz SE (Effective 7th of May 2015) visited the company.

2013

- **January**
  Launched common workflow platform for all Sales Channels including Sales Support function.
- **August**
  Xavier Denys succeeded Antoine Issa as Chief Executive Officer.

2012

- **January**
  The Company restructured its Direct Sales Force for Retail Business as well as its branches.
- **August**
  The Company restructured its Corporate Sales Force to better serve corporate and commercial customers.

2011

- **February**
  The Company renewed its operational license from SAMA (Ref: TMN/11/20083) for another 3 years
- **June**
  The Company launched the Protection & Savings "Gold" Products Sharia Compliant

2010

- **April**
  The Company Completed its 10 million shares rights issue and the Capital became SAR 200 Million.
- **November**
  BSF Bancassurance Portfolio transfer was completed.

2009

- **January**
  Insaudi portfolio transfer was completed and integrated in the opening balance sheet for 2009.
- **March**
  The individual Protection & Savings products approvals were received.
- **November**
  Banque Saudi Fransi Bancassurance Protection & Savings products approvals are received.

2008

- **March**
  The Operational License from SAMA (Ref: TMN/11/20083) is obtained.
- **September**
  The Company moved to the New Head Office in Riyadh and received its first products' approval.
- **November**
  SAMA approved the transfer of Insaudi portfolio subject to no goodwill.

2007

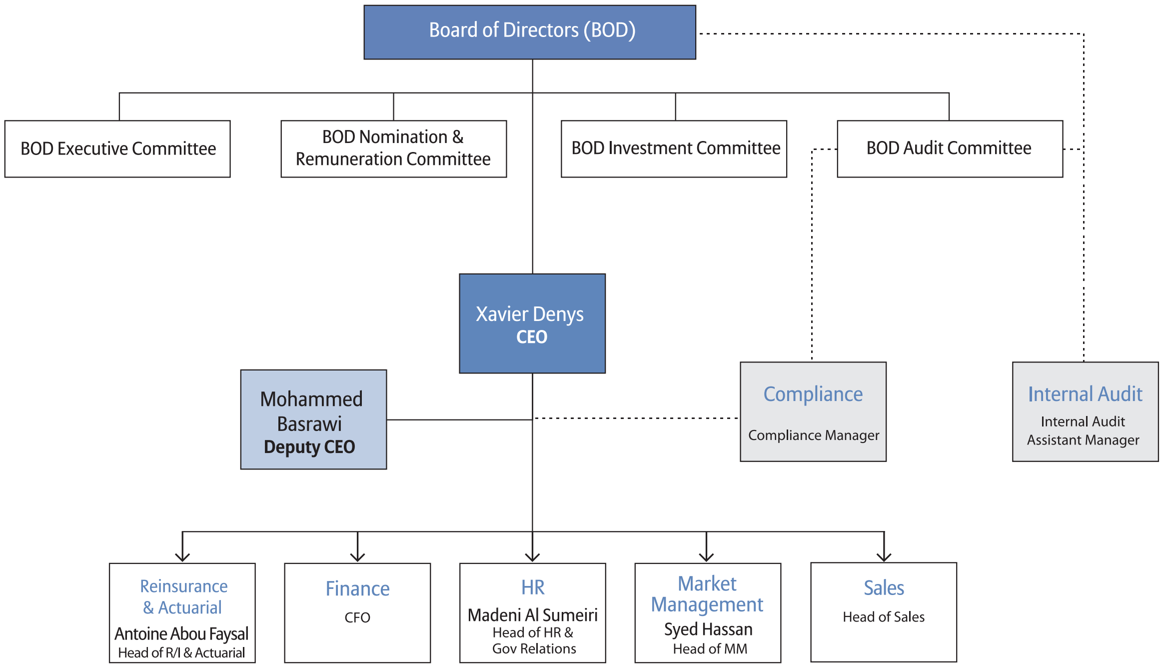
- **March**
  The Company goes public through an Initial Public Offering.
- **June**
  The Constituting General Assembly is held.

2006

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

4. Organization Chart

Allianz Saudi Fransi organization structure as of 31st December 2014 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 Faysal	Head of Reinsurance and Actuarial	1982	Bachelors Degree in Insurance and Actuarial Science

* Resigned (Effective from 12/11/2014)
** Resigned (Effective from 5/6/2014)

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 2014 Allianz Saudi Fransi continued its efforts to preserve the ratio of Saudization. As of 31st December 2014 the percentage of Saudi nationals within the company represented %56.

7. Geographical Presence

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

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

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

9. Financial Highlights

a) Gross Written Premiums

The Gross Written Premiums amounted to SAR 725.1 Million for the twelve months ended December 2014 against SAR 745.9 Million for the twelve months ended December 2013 showing a decrease of 2.8%. The split per line of business is as follows:

SAR Million	2014	2013	2012	2011	2010
Property, Casualty & Health:	546.3	568.3	416.6	510.8	468.7
a) Motor:	155.2	153.5	85.1	86.3	84.9
b) Engineering:	116.6	152.9	75.6	69.4	77.3
c) Medical:	55.3	61.6	82.3	134.7	158.1
d) Other General:	219.2	200.3	173.6	220.4	148.4
Protection & Savings:	178.8	177.6	204.6	172.9	54.7

Property, Casualty and Health Gross Written Premiums declined by 3.9% compared to previous year (2013), while Protection & Savings Gross Written Premiums increased by 0.7% compared to previous year (2013).

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	2014	2013	2012	2011	2010
Central Region:	455.4	469.0	385.1	410.7	255.6
Western Region:	111.3	146.6	149.1	193.8	170.2
Eastern Region:	158.4	130.3	87.0	79.2	97.6

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 420.6 Million for the twelve months ended December 2014 against SAR 354.5 Million for the twelve months ended December 2013.

Net Premium Earned increased by 18.6% compared to previous year 2013 due to the fact that an important part of the business of 2013 was produced in the second half of the year and therefore generated earned premium in 2014. Net Earned Premiums represents 58% of the Gross Written Premiums for the current year compared to 48% for the previous year.

c) Mathematical Reserve Change

The Mathematical Reserve Change applicable to Protection & Savings products amounted to SAR (17.5) Million for the twelve months ended December 2014 against SAR (41.7) Million in 2013 due to the net impact of written premiums, Surrenders and revaluation of Unit Link Investments.

The unrealized gain on unit-linked investment related to Protection & Savings products amounted to SAR 9.4 Million for the twelve months ended December 2014 against SAR 15.0 Million in 2013.

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 3.2 Million in 2014 against SAR 1.8 Million in 2013.

This is due to the change in the size of available for sale investments under the insurance operation assets. These investments have increased by 66.9% during 2014.

e) Net Incurred Claims

The Net Incurred Claims during the period after deducting the reinsurance shares and reserves amounted to SAR (316.7) Million for the twelve months ended December 2014 against SAR (233.0) Million for the twelve months ended December 2013, representing an increase of 35.9%.

This is mainly driven by the motor net incurred claims which increased from SAR 81.5 Million in 2013 to SAR 158.8 Million in 2014.

f) Net Commissions

The commissions paid to producers, net of the commissions received from reinsurers amounted to SAR (18.2) Million for the twelve months ended December 2014 against SAR (9.2) Million for the twelve months ended December 2013.

This is mainly due to the decrease in the amount of reinsurance commission earned from SAR 27.7 Million in 2013 to 21.9 Million in 2014. This is also due to the increase in the commission incurred from SAR 36.9 Million in 2013 to SAR 40.1 Million in 2014, reflecting the correlation with the increase in net earned premium.

g) Premium Deficiency Reserve

In 2013, the Company has set up a Premium Deficiency Reserve (PDR) of SAR (0.9) Million for Health business, to cover the risks related to premiums written in the year 2013. Health business underwritten in 2014 has improved and hitherto resulted to a Combined Ratio below 100% as of 31 December 2014, and therefore the PDR was released.

h) General Expenses

The Company has incurred during 2014 insurance operations expenses of SAR (68.8) Million, against insurance operations expenses of SAR (77.2) Million during 2013. In addition, the Company incurred during 2014 expenses of SAR (0.7) Million allocated to the shareholders operations against expenses of SAR (0.8) Million during 2013. Cost efficiency measures are explaining the 11% decrease of the general expenses in 2014 compared to 2013.

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 12.9 Million for the twelve months ended December 2014 against a Net Surplus of SAR 9.3 Million for the twelve months ended December 2013, representing an increase by 38.2% of that result.
This is owed to the increase in net earned premium which has compensated the combined increase in Net Incurred Claims and Mathematical reserve. The decrease in general expenses by 11% has contributed significantly in the improvement of Net Surplus of insurance operation compared to prior year.

j) Investments

The Company investments excluding investments from unit-linked Protection & Savings products as of December 2014 are summarized here below.

SAR Million	2014	2013	2012	2011	2010
Cash & cash equivalents:	68.6	52	33.3	74.6	42.3
Sukuk/Funds:	213.5	183.9	172.1	127.0	98.0
Subscription in Najm & NextCare Companies:	3.2	3.2	3.2	3.2	3.2
Held to maturity	-	-	-	-	-

The investment income excluding unrealized gain on investments from unit-linked Protection & Savings products and excluding Other Income amounted to SAR 5.0 Million as of December 2014 against SAR 5.2 Million as of December 2013.

k) Net Income (Profit)

The result for the twelve months ended 31st December 2014 (the 7th fiscal year) is a Net Income of SAR 15.9 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 1.3 Million against a Net Income of SAR 12.8 Million after a distribution of 10% of the Net Surplus from insurance operations amounting to SAR 0.9 Million for the twelve months ended 31st December 2013. This increase in Net Income is due to above mentioned cost efficiency improvements and the focus on profitable segments. The earnings per share as of December 2014 are equivalent to SAR 0.79 against SAR 0.64 as of December 2013.

l) Assets

The total Assets of the Company as of 31st December 2014 amounted to SAR 1,607 Million split as follows:

SAR Million	2014	2013	2012	2011	2010
Insurance Operations' Assets	1,411.5	1,295.1	949.3	911.0	779.2
Shareholders' Assets	195.5	180.4	171.4	163.8	162.1

m) Shareholder's Equity

The Shareholder's Equity as of 31st December 2014 amounted to SAR 184.8 Million, split as follows:

SAR Million	2014	2013	2012	2011	2010
Share Capital	200.0	200.0	200.0	200.0	200.0
Accumulated Losses	(38.1)	(49.6)	(58.4)	(65.6)	(65.2)
Other Reserves	22.9	22.5	25.3	23.6	23.6

The share premium included in the other Reserves remained constant at SAR 22.7 Million.
The Company confirms that it does not have any loans as of 31st December 2014

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 2014.
- 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 2014, the company is having a Net insurance operations surplus after shareholders' appropriation of SAR 1.3 Million.

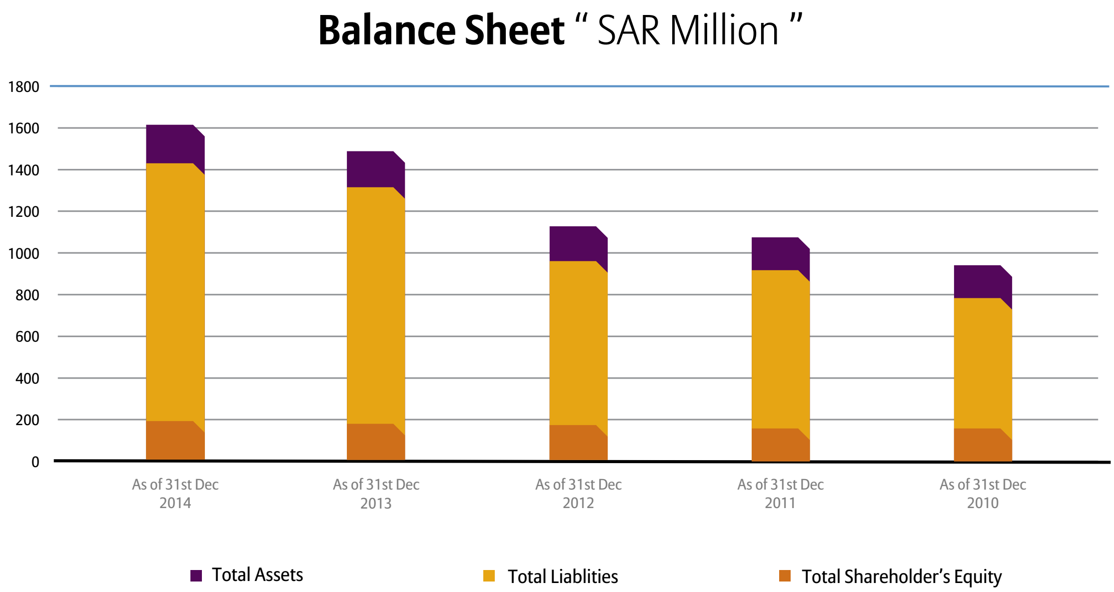
o) Financial Highlights

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

SAR Million	2014	2013	2012	2011	2010
Gross Written Premium	725.1	745.9	621.2	683.7	523.4
Net Premium Earned	420.6	354.5	351.8	354.7	233.2
Mathematical Reserve Change	(17.5)	(41.7)	(61.8)	(46.3)	(26.8)
Unrealized gain on UL	9.4	15.0	7.4	0.8	1.8
Other Income	3.2	1.8	1.1	1.2	0.7
Net Incurred Claims	(316.7)	(233.0)	(203.5)	(221.4)	(134.6)
Net Commissions	(18.2)	(9.2)	(8.9)	(13.8)	(12.2)
Premium Deficiency Reserve	0.9	(0.9)	-	-	-
General Expenses Insurance operations	(68.8)	(77.2)	(80.0)	(75.5)	(70.7)
Net Surplus for the year	12.9	9.3	6.1	(0.3)	(8.6)
Net insurance operations surplus after shareholders' appropriation for the year	(1.3)	(0.9)	(0.6)	-	-
Investment Income Shareholders	5.0	5.2	5.4	2.2	0.8
General Expenses Shareholders	(0.7)	(0.8)	(0.6)	(0.3)	(0.6)
Net Income – Profit *	15.9	12.8	10.3	1.6	(8.4)

* After surplus distribution, before Tax and Zakat.

Balance Sheet "SAR Million"	2014	2013	2012	2011	2010
Total Assets	1,607.0	1,480.8	1,120.7	074.8	941.3
Total Liabilities	1,422.2	1,307.9	953.8	916.8	782.9
Total Shareholders' Equity	184.8	172.9	166.9	158.0	158.4



10. Corporate Governance, Regulations & Committees

a) The Compliance with Corporate Governance

In 2014, Allianz Saudi Fransi was in full compliance with the CMA corporate governance regulations and SAMA guidelines except in the following minor issue:

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

b) Board of Directors

At the Ordinary General Assembly held on 29 April 2013, a new 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	No. of Shares beginning of year	No. of Shares end of year	Change in No. of Shares*	Board Member**	Rep.	Member Classification
Ammar Alkhudairy, (replacing Abdullah Alabdelgader with effect from 24.04.2014) Chairman	1,000	1,000	Nil	Banque Saudi Fransi Al Tayyar Travel Group Al Hokair Company	Public	Independent
Alwaleed Al Dryaan	1,000	1,000	Nil	Alkhaleej Training & Education Co.	Public	Independent
Patrice Couvegnes	Nil	Nil	Nil	Banque Saudi Fransi	BSF	Non Executive
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	Nil	Nil	Nil	Banque Saudi Fransi	BSF	Non Executive
Hugues de Roquette Buisson	Nil	Nil	Nil	Nil	Allianz France	Non Executive
Heinz Dollberg	Nil	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

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

* Resigned (Effective from 12/11/2014)
** Resigned (Effective from 5/6/2014)
*** 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 7th fiscal year ending 31st December 2014 were:

SAR	2014				2013			
	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 7 Exec***	Indp Board Members**	Non-Exec Board Members**	Exec Board Members**	Top 7 Exec***
Salaries & Remunerations	See details hereafter			4,280,641	0	0	0	4,714,839
Allowances / Attendance fees	25,500	79,500	0	505,000	36,000	81,000	0	335,000
Bonuses	0	0	0	1,580,281	0	0	0	1,839,094
Other Expenses	0	137,437	0	0	0	64,531	0	0
Other Benefits*	0	0	0	442,603	0	0	0	721,700
Total	25,500	216,937	0	6,808,525	36,000	145,531	0	7,610,633

* Other benefits include Global equity Incentive plan and other benefits such as Insurance.
** Including Chairman
*** Two members (Antoine Abou Faysal and Khaled Ibrahim) were inducted as Top Executives effective 1/08/2013 –Salaries and remunerations are for full year.
Two members resigned in 2014 (Abdullah Mansury Effective from 12/11/2014) and (Khaled Ibrahim Effective from 5/6/2014)

Furthermore, one Top Executive received an advance from the Company during November 2014 amounting to SAR 100,290 with a last payback installment due in October 2015.

Subject to the approval of the General Assembly, the 2014 annual renumerations of the Board Members to be paid in 2015 are distributed as follows:

Board Members	Member Classification	2014 Subject to the Approval of the upcoming GA	2013 Approved by Shareholders
Ammar Alkhudairy, (replacing Abdullah Alabdelgader with effect from 24.04.2014) Chairman	Independent	108,743	0
Alwaleed Al Dryaan	Independent	72,495	0
Patrice Couvegnes	Non Executive	72,495	0
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	Non Executive	72,495	0
Hugues de Roquette Buisson	Non Executive	72,495	0
Heinz Dollberg	Non Executive	72,495	0
Total	-	471,218	0

d) BOD Declaration of Related-Party Transactions

The Board of Directors confirms that during 2014 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 2014 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. However, the Company incurred during 2014 a penalty from CMA amounting to SAR 10,000 due to its violation of clause (A) of Article (46) of Financial Market Regulations and clause (A) of Article (41) of listing and Registration Rules. This is due to one late publication of Product Approval on Tadawul.

f) BOD Committees

BOD Executive Committee

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

Main responsibilities include:

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

The Committee comprises the following members:

BOD Executive Committee	As of 31 Dec 2014
Patrice Couvegnes	Chairman
Heinz Dollberg	Member
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	Member
Hugues de Roquette-Buisson	Member

The BOD Executive Committee met five times during 2014 with 70% attendance (95% with proxies)

Date	Attendance	Percentage	Percentage with Proxy
18/02/2014	Patrice Couvegnes, Heinz Dollberg.	50%	100%
14/04/2014	Patrice Couvegnes, Heinz Dollberg.	50%	75%
29/04/2014	Patrice Couvegnes, Heinz Dollberg, Hugues de Roquette-Buisson	75%	100%
05/06/2014	Abdulrahman Al Sughayer, Patrice Couvegnes, Heinz Dollberg, Hugues de Roquette-Buisson.	100%	100%
11/11/2014	Abdulrahman Al Sughayer, Patrice Couvegnes, Hugues de Roquette-Buisson.	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 recommending the approval of the annual and quarterly financial statements to the Board of Directors.

- 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 Audit Committee	As of 31 Dec 2014
Hugues de Roquette Buisson	Chairman
Yousef Al Mobarak	Member
Vacant	

The Committee's Chairman is a Non- Executive board member.

The Audit Committee met five times during 2014 with 67% attendance (67% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
13/04/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
05/06/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
15/07/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
22/10/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%
11/11/2014	Hugues de Roquette-Buisson, Yousef Al Mobarak.	67%	67%

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

The above Audit Committee meetings covered the following major tasks:

- Met with the external auditors to discuss their Management Report and recommendations.
- Reviewed and recommended the quarterly and annual financial reports, including the Actuary and Risk management reports and the external auditors' reports and submitted the recommendations to the Board of Directors.
- Reviewed the Internal Audit Plan 2015 and 5-years long term Audit Plan.
- Reviewed the Internal Audit Missions Report including the findings, recommendations and implementation progress.
- Reviewed the Compliance Activity Reports including the findings and corrective actions as well as complaints and legal cases.
- Reviewed the Compliance Plan.
- Reviewed the activities of the Internal Auditors and Compliance Team and ensured their independency.
- Updated the Internal Audit Manual and Procedures, added tasks & responsibilities in particular to the charter, and submitted same to the Board of Directors for approval.
- Reviewed important correspondences with authorities including their comments and submitted related actions to the Board of Directors.
- Reviewed external contracts including external auditors, lawyer and consulting actuary and recommended the approval of the contracts to the Board of Directors.
- Reviewed the critical accounting policies and procedures in addition to the modifications that might be introduced thereto.

The Internal Audit Department has performed 3 regular missions and 16 ad-hoc missions during 2014 and has issued the corresponding reports including recommendations and agreed actions. These missions have covered most of the procedures in various company departments including Operations, Finance, Human Resources, Sales, Market Management and Reinsurance & Actuarial as well as subunits. The Audit Mission Reports did not show any significant or high risk findings but improvements needed that are already solved or under the process of completion as per the agreed time frame. The reports and implementation progress are regularly reviewed by the Audit Committee.

The Company has also implemented a Governance, Risk and Control Committee (GRC) mainly responsible for monitoring the activities of the Company related to Governance, Risks, Audit, Compliance, Anti Money Laundry, Anti Fraud, Code of Conduct and Anti Corruption. The GRC is purely an internal committee that is not derived from the BOD. It comprises of Top Management members, Risk Officers and the Internal Audit Team. The GRC met 11 times during 2014 and the outcome did not show any major weakness but regular improvements needed that are already addressed or under completion.

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

BOD Investment Committee members

The Investment Committee shall prepare, review, and approve the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and in line with 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	As of 31 Dec 2014
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15/04/2014)	Chairman
Alwaleed Al Dryaan	Member
Heinz Dollberg / Hugues de Roquette-Buisson	Member

The investment committee met two times during 2014 with 100% attendance (100% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
17/07/2014	Abdulrahman Al Sughayer, Alwaleed Al Dryaan, Heinz Dollberg, Hugues de Roquette-Buisson	100%	100%
11/11/2014	Abdulrahman Al Sughayer, Alwaleed Al Dryaan, Hugues de Roquette-Buisson	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	As of 31 Dec 2014
AlWaleed Al Dryaan	Chairman
Abdulrahman Al Sughayer (replacing Abdulrahman Jawa with effect from 15.04.2014)	Member
Heinz Dollberg	Member

The N&R committee met three times during 2014 with 67% attendance (78% with proxies).

Date	Attendance	Percentage	Percentage with Proxy
18/02/2014	Alwaleed Al Dryaan, Heinz Dollberg	67%	67%
14/04/2014	Alwaleed Al Dryaan, Heinz Dollberg	67%	67%
11/11/2014	Alwaleed Al Dryaan, Abdulrahman Al Sughayer	67%	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 2014 as well as the remuneration adjustment mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the Bonuses of Top Executives as well as the bonuses mechanism and amounts for the Company and discussed same with the BOD for approval.
- Reviewed the remuneration and employee benefits
- Reviewed the updates on the Company structure as well as the recruitment of new executives and key positions.
- Consistently monitored the Saudization status.
- Policy and Procedure for ASF Appointments to Senior Positions.

g) BOD Meetings

The BOD met four times during the year ended 31st December 2014 with attendance of 84% (96% with proxies).

BOD #	Date	Attendance	Percentage	Percentage with Proxy
30	18/02/2014	Abdullah Alabdulgader, Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvegnes,	67%	100%
31	29/04/2014	Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvegnes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson	84%	84%
32	17/07/2014	Ammar Alkhudairy, Heinz Dollberg, Alwaleed Al Dryaan, Patrice Couvegnes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson	100%	100%
33	11/11/2014	Ammar Alkhudairy, Alwaleed Al Dryaan, Patrice Couvegnes, Abdulrahman Al Sughayer, Hugues de Roquette-Buisson	84%	100%

The above BOD meetings covered the following major tasks:

- Regularly analysed the Company performance and achievement versus plan including analysis of market information and Company Strategic positioning.
- 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 2014 those updates mainly referred to Corporate Governance.
- Approved the recommendations of the Committees regarding external contracts including external auditors, tax consultant, legal consultant and external appointed actuary noting that the company doesn't have any other management or technical agreement.
- Followed the activities of the various Committees including the Executive Committee, the Audit Committee, The Investment Committee and the Nomination & Remuneration Committee.
- Updated the Nomination & Remuneration Committee Charter.
- Approved the new policy related to the Appointment to Senior Positions Policy & Procedure.

h) Risk Management

During 2014, 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 4,363,308 for Zakat and Tax in 2014 against SAR 4,052,118 allocated in 2013. There were no loans by the Company. The following table shows a list of legal payments and provisions for the year 2014 compared to the year 2013 and 2012 and 2011 and 2010.

SAR Million	2014	2013	2012	2011	2010
Customs Expenses	-	-	-	-	-
Zakat & Tax	4.4	4.0	3.0	1.8	0.1
GOSI Expenses	2.5	2.3	2.0	1.8	1.9
Visa & Passports	0.3	0.4	0.4	0.7	0.6
Inspection & Supervision Fees	4.2	4.3	3.9	4.7	4.2
Total	11.4	11.0	9.3	9.0	6.8

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 2015, 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 2015, 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 2015, 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 2015, 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 2015 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 Standards

In 2014, the Ordinary General Assembly approved the BOD recommendation of renewing "Ernst and Young" and appointment of "Aldar Audit Bureau" as joint external auditors for the fiscal year ended 31st December 2014. 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 2014 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 2014 in accordance with the International Financial Reporting Standards (IFRS).

13. Shariah Committee

The Company has a Shariah Committee composed of:

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

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

14. Board of Directors Declaration

The Board of Directors confirms the following:

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

Allianz Saudi Fransi Cooperative Insurance Company

Financial Statement

Together with the Independent Auditors' Report For the year ended 31 December 2014

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 2014 and the related statements of income and comprehensive income of insurance operations and shareholders' operations, statements of changes in shareholders' equity and statement of cash flows of insurance operations and shareholders' operations for the year then ended and the related notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion:

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

- Present fairly, in all materials respects, the financial position of the Company as at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- Comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of a matter

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

Ernst & Young
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

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

29 Rabia II 1436H
18 February 2015

Fahad M. Al Toaimi
Certified Public Accountant
Registration No. 354

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

Statement of Financial Position
As at 31 December 2014

	Note	2014 SR	2013 SR
INSURANCE OPERATIONS' ASSETS			
Equipment, furniture and vehicles	6	2,104,837	2,757,158
Reinsurers' share of outstanding claims	7	195,791,834	170,427,971
Reinsurers' share of unearned premiums	17	196,712,050	156,094,252
Deferred policy acquisition costs	8	13,837,659	17,532,344
Unit linked investments	9	587,082,779	573,574,486
Available for sale investments	14	66,290,823	39,704,393
Premiums receivable, net	11	233,013,943	239,253,312
Reinsurance balances receivable		39,406,041	39,243,929
Prepayments and other assets	10	14,321,740	11,495,334
Cash and cash equivalents	12	62,981,132	50,206,611
TOTAL INSURANCE OPERATIONS' ASSETS		1,411,542,838	1,300,289,790
SHAREHOLDERS' ASSETS			
Statutory deposit	13	20,076,025	20,076,025
Available for sale investments	14	150,416,786	147,464,448
Due from insurance operations		18,687,760	10,083,350
Prepayments and other assets	10	569,613	1,033,005
Cash and cash equivalents	12	5,705,081	1,815,310
TOTAL SHAREHOLDERS' ASSETS		195,455,265	180,472,138
TOTAL ASSETS		1,606,998,103	1,480,761,928

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys	Heinz Dollberg	Mohammed Koubar
Chief Executive Officer	Director	Finance Manager

Statement of Financial Position
As at 31 December 2014

	Note	2014 SR	2013 SR
INSURANCE OPERATIONS' LIABILITIES			
Employees' end of service benefits	16	10,063,959	8,457,100
Unearned premiums	17	288,864,252	270,783,664
Unearned commission income	19	12,295,482	12,175,886
Mathematical reserves	18	593,623,912	576,114,237
Outstanding claims	7	277,155,299	226,444,490
Premium deficiency reserves		-	936,116
Due to shareholders' operations		18,687,760	10,083,350
Reinsurance balances payable		188,838,218	157,174,241
Accrued expenses and other liabilities	20	19,674,465	38,698,211
Total insurance operations' liabilities		1,409,203,347	1,300,867,295
Insurance Operations' Surplus			
Accumulated surplus		2,837,296	1,547,917
Unrealised loss on available for sale investments	14	(497,805)	(2,125,422)
Total insurance operations' liabilities and surplus		1,411,542,838	1,300,289,790
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Zakat and income tax payable	22	10,552,927	7,487,408
Accrued expenses and other liabilities	20	124,824	117,522
Total Shareholders' Liabilities		10,677,751	7,604,930
Shareholders' Equity			
Share capital	23	200,000,000	200,000,000
Share premium		22,711,315	22,711,315
Accumulated losses		(38,094,433)	(49,618,841)
Unrealised gain/(loss) on available for sale investments	14	160,632	(225,266)
Total Shareholders' Equity		184,777,514	172,867,208
Total Shareholders' Liabilities and Equity		195,455,265	180,472,138
Total insurance operations liabilities and surplus and shareholders' liabilities and equity		1,606,998,103	1,480,761,928

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys
Chief Executive Officer

Heinz Dollberg
Director

Mohammed Koubar
Finance Manager

Statement of Income of Insurance Operations

For the year ended 31 December 2014

	Note	2014 SR	2013 SR
Gross written premiums	26	725,109,990	745,874,810
Reinsurance premiums ceded	26	(327,015,755)	(342,911,611)
Net written premiums		398,094,235	402,963,199
Changes in unearned premiums	26	(18,080,588)	(119,084,535)
Changes in reinsurance share of unearned premiums		40,617,798	70,629,900
Net change in unearned premiums		22,537,210	(48,454,635)
Net premiums earned	26	420,631,445	354,508,564
Commission earned during the year	19	21,947,535	27,722,688
Unrealized gain on unit linked investments		9,365,419	14,977,600
Other income		3,160,940	1,861,824
Total revenues		455,105,339	399,070,676
Gross claims paid	7	(431,536,901)	(354,680,227)
Reinsurance share of claims paid	7	140,126,585	127,834,625
Net claims paid		(291,410,316)	(226,845,602)
Changes in gross outstanding claims		(50,710,809)	(79,583,755)
Changes in reinsurance share of outstanding claims		25,363,863	73,476,848
Net outstanding claims		(25,346,946)	(6,106,907)
Net claims incurred		(316,757,262)	(232,952,509)
Change in premium deficiency reserves		936,116	(936,116)
Change in mathematical reserves	18	(17,509,675)	(41,676,388)
Commission expenses	8	(40,121,767)	(36,996,104)
Inspection and supervision fees		(4,178,490)	(4,345,880)
General and administrative expenses	27	(64,580,472)	(72,834,007)
Total claims and expenses		(442,211,550)	(389,741,004)
Net surplus for the year		12,893,789	9,329,672
Net surplus transferred to statement of income of shareholders' operations		(11,604,410)	(8,396,705)
Net insurance operations surplus after shareholders' appropriation for the year		1,289,379	932,967

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys
Chief Executive Officer

Heinz Dollberg
Director

Mohammed Koubar
Finance Manager

Statement of Comprehensive Income of Insurance Operations

For the year ended 31 December 2014

	Note	2014 SR	2013 SR
Net insurance operations surplus after shareholders' appropriation for the year		**1,289,379**	932,967
Other comprehensive income/(loss) to be reclassified subsequently to the statement of income			
Fair value change in available for sale investments		**1,627,617**	(2,025,157)
Transferred to realised gain on available for sale investments disposal		**-**	(47,200)
Total comprehensive income/(loss) for the year		**2,916,996**	(1,139,390)

Statement of income of shareholders' operations

For the year ended 31 December 2014

	Note	2014 SR	2013 SR
Special commission income		**4,864,495**	5,299,279
Realised gain/(loss) on available for sale investments		**123,402**	(100,750)
Total revenues		**4,987,897**	5,198,529
Net surplus transferred from statement of income of insurance operations		**11,604,410**	8,396,705
General and administrative expenses	27	**(704,591)**	(779,286)
Net income for the year		**15,887,716**	12,815,948
Basic and diluted earnings per share	29	**0.79**	0.64

Statement of Comprehensive Income of Shareholders' Operations

For the year ended 31 December 2014

	Note	2014 SR	2013 SR
Net income for the year		**15,887,716**	12,815,948
Other comprehensive income not to be reclassified subsequently to the statement of income:			
Provision for zakat & income tax (note 22)		**(4,363,308)**	(4,052,118)
Other comprehensive income/(loss) to be reclassified subsequently to the statement of income:			
Fair value change in available for sale investments		**509,300**	(2,894,533)
Transferred to realised (gain)/loss on available for sale investments disposal		**(123,402)**	100,750
Total comprehensive income for the year		**11,910,306**	5,970,047

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys	Heinz Dollberg	Mohammed Koubar
Chief Executive Officer	Director	Finance Manager

Statement of Changes In Shareholders' Equity

For the year ended 31 December 2014

	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 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:					
- Provision for zakat and income tax	-	-	(4,052,118)	-	(4,052,118)
- Fair value change in available for sale investments	-	-	-	(2,894,533)	(2,894,533)
-Transferred to statement of income of shareholders' operations	-	-	-	100,750	100,750
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
Balance as at 1 January 2014	200,000,000	22,711,315	(49,618,841)	(225,266)	172,867,208
Net income for the year	-	-	15,887,716	-	15,887,716
Other Comprehensive income:					
- Provision for zakat and income tax	-	-	(4,363,308)	-	(4,363,308)
- Fair value change in available for sale investments	-	-	-	509,300	509,300
- Transferred to statement of income of shareholders' operations	-	-	-	(123,402)	(123,402)
Total comprehensive income for the year	-	-	11,524,408	385,898	11,910,306
Balance as at 31 December 2014	200,000,000	22,711,315	(38,094,433)	160,632	184,777,514

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys	Heinz Dollberg	Mohammed Koubar
Chief Executive Officer	Director	Finance Manager

Statement of cash flows of insurance operations

For the year ended 31 December 2014

	Note	2014 SR	2013 SR
Operating Activities			
Net insurance operations surplus after shareholders' appropriation for the year		1,289,379	932,967
Adjustments for:			
Employees' end of service benefits	16	2,233,952	3,061,673
Depreciation	6	1,375,012	1,407,096
Gain on sale of available for sale investments		-	(47,200)
Unrealised gains on unit linked investments		(9,365,419)	(14,977,600)
Shareholders' appropriation from insurance operations' surplus		11,604,410	8,396,705
		7,137,334	(1,226,359)
Changes in operating assets and liabilities:			
Deferred policy acquisition costs		3,694,685	(5,204,220)
Unit linked investments		(4,142,874)	(25,358,282)
Premiums receivable, net		6,239,369	(110,535,997)
Prepayments and others assets		(2,826,406)	(4,191,349)
Unearned premiums, net		(22,537,210)	48,454,635
Mathematical reserves		17,509,675	41,676,388
Outstanding claims, net		25,346,946	6,106,907
Premium deficiency reserves		(936,116)	936,116
Unearned commission income		119,596	(1,164,197)
Reinsurance balances payable, net		31,501,865	58,831,944
Accrued expenses and other liabilities		(19,023,746)	22,305,159
Cash from operations		42,083,118	30,630,745
Employees' end of service benefits paid	16	(627,093)	(1,193,956)
Net cash flows from operating activities		41,456,025	29,436,789
Investing Activities			
Purchase of office equipment and furniture	6	(722,691)	(369,167)
Proceeds from sale of available for sale investments		-	10,009,635
Purchases of available for sale investments	14	(24,958,813)	(21,858,000)
Net cash flows used in investing activities		(25,681,504)	(12,217,532)
Financing activity			
Due to shareholders operations		(3,000,000)	-
Cash flow used in financing activity		(3,000,000)	-
Net increase in cash and cash equivalents		12,774,521	17,219,257
Cash and cash equivalents at the beginning of the year		50,206,611	32,987,354
Cash and cash equivalents at the end of the year	12	62,981,132	50,206,611
Non-cash supplemental information:			
Net changes in fair value of available for sale investments	14	1,627,617	(2,025,157)

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys	Heinz Dollberg	Mohammed Koubar
Chief Executive Officer	Director	Finance Manager

Statement of cash flows of shareholders' operations

For the year ended 31 December 2014

	Notes	2014 SR	2013 SR
Operating Activities			
Net income for the year		15,887,716	12,815,948
Adjustments for:			
Realized loss/(gain) on sale of available for sale investments		(123,402)	100,750
Shareholders' appropriation from insurance operations' surplus		(11,604,410)	(8,396,705)
Operating surplus before changes in operating assets and liabilities		4,159,904	4,519,993
Changes in operating assets and liabilities:			
Prepayments and other assets		463,392	2,824,355
Accrued expenses and other liabilities		7,302	25,897
Cash from operations		4,630,598	7,370,245
Zakat and income tax paid during the year	22(c)	(1,297,789)	(984,883)
Net cash from operating activities		3,332,809	6,385,362
Investing Activities			
Purchase of available for sale investment	14	(14,648,031)	(14,911,562)
Proceeds from sale of available for sale investments	14	12,204,993	10,000,000
Net cash used in investing activities		(2,443,038)	(4,911,562)
Financing activity			
Due to shareholders operations		(3,000,000)	-
Cash flow used in financing activity		(3,000,000)	-
Net increase in cash and cash equivalents		3,889,771	1,473,800
Cash and cash equivalents at the beginning of the year		1,815,310	341,510
Cash and cash equivalents at the end of the year	12	5,705,081	1,815,310
Non-cash supplemental information:			
Net changes in fair value of available for sale investments		509,300	(2,894,533)

The accompanying notes 1 to 33 form part of these financial statements.

Xavier Denys
Chief Executive Officer

Heinz Dollberg
Director

Mohammed Koubar
Finance Manager

The Power On Your Side

Notes To The Financial Statements

As at 31 December 2014

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 (2013: 5) in the Kingdom of Saudi Arabia. The registered office of the Company is located at Al Safwa Commercial Building, P O Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

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

2. Basis Of Preparation

Basis of measurement

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

Statement of compliance

The 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 holders and the remaining 90% of the surplus to be transferred to the shareholders' operations and losses to be borne by shareholders' operations.

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 are consistent with those of the previous financial year, except for the following;

New and amended standards and interpretations

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 and is applied retrospectively. These amendments have no impact on the Company, since the Company has no offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has no derivatives.

IFRIC 21 Levies

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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010 - 2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated commission rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Annual Improvements 2011 - 2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer. The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010 - 2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that an asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements 2011- 2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

4. Summery 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 the statement of income as incurred. The cost of equipment, furniture and vehicles is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

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

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

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

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

Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company 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 or settled claims associated with reinsurance policies and are in accordance with the reinsurance contract.

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

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

Gains or losses on buying reinsurance are recognised in the statement of income 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.

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank current accounts.

Provisions

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

Liability adequacy test

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

Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

- Receivables
- Available for sale financial assets

The company has no held to maturity investments or derivatives.

Premiums receivable

Premiums receivable are recognised 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 derecognised when the derecognition criteria for financial assets have been met.

Available for sale

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

Derecognition

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

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

Impairment and uncollectibility of financial assets

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

1. For assets carried at fair value, impairment loss is based on the decline in fair value
2. 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
3. For assets carried at amortised cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate

Revenue recognition

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

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

The Company commenced using the pre-defined calculation for engineering class of business staring 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.

Fee income on insurance contracts

Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised 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 recognised over future periods.

Dividend income

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

Reinsurance premiums

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

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of income of insurance operations. 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 reserves

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

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 recognised in the 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 organised into business units based on their products and services and has six reportable operating segments as follows:

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

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

Foreign currencies

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

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statements of income 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 recognised / derecognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

5. Significant Accounting Estimates and Assumptions

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

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

Impairment of investments

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

Technical reserves for insurance activities

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

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

Fair values of financial instruments

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

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

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

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

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

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

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

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

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

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

Impairment losses on receivables

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

6. Equipment, Furniture and Vehicles

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

	2013 (SR)			
Cost:	Computer and office equipment SR	Motor vehicles SR	Furniture and fittings SR	Total 2013 SR
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	1,012,347	5,679,255	15,115,465
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 2012	695,580	333,382	1,728,196	2,757,158

7. Outstanding Claims

	2014 (SR)		
	Gross	Reinsurance share	Net
General insurance	265,713,487	(189,457,513)	76,255,974
Protection and saving insurance	11,441,812	(6,334,321)	5,107,491
Total outstanding claims	277,155,299	(195,791,834)	81,363,465

	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

Movement of outstanding claims is as follows:

	2014 SR			2013 SR		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
As at 1 January						
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
Provided during the year	482,247,710	(165,490,448)	**316,757,262**	434,263,982	(201,311,473)	232,952,509
Paid during the year	(431,536,901)	140,126,585	**(291,410,316)**	(354,680,227)	127,834,625	(226,845,602)
As at 31 December	277,155,299	(195,791,834)	**(195,791,834)**	226,444,490	(170,427,971)	56,016,519
Reported Claims	256,717,296	(195,791,834)	**60,925,462**	213,027,485	(170,427,971)	42,599,514
IBNR	20,438,003	-	**20,438,003**	13,417,005	-	13,417,005
	277,155,299	**(195,791,834)**	**81,363,465**	226,444,490	(170,427,971)	56,016,519

8. Deferred policy Acquisition Cost

	2014 SR	2013 SR
Balance at the beginning of the year	17,532,344	12,328,124
Incurred during the year	36,427,082	42,200,324
Amortisation for the year	(40,121,767)	(36,996,104)
Balance at the end of the year	**13,837,659**	17,532,344

9. Unit Linked Investments

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

	2014 SR	2013 SR
Local currency funds	574,525,805	559,835,402
Foreign currency funds	12,556,974	13,739,084
	587,082,779	573,574,486

Portfolios of the funds are as follows:

	2014 SR	2013 SR
Al Ghad/Al Anjal Low Risk Fund	281,715,229	288,211,482
Al Badr Fund Saudi Riyal	191,246,309	168,953,944
Al Ghad/Al Anjal Murabaha Fund	54,844,777	59,292,839
Al Saffa Equity Fund	35,606,766	32,070,432
AL Badr Fund US Dollar	6,679,225	6,541,225
Al Fursan Equity Fund US Dollar	4,101,953	5,190,932
Al Danah GCC Equity Fund	3,876,107	4,322,222
Money Market Fund Saudi Riyal	4,243,364	3,710,254
Saudi Istithmar Fund	2,993,253	3,274,229
Al Naqaa Asia Growth Fund US Dollar	1,775,796	2,006,927
	587,082,779	573,574,486

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

10. Prepayments and Other Assets

	2014 (SR)		2013 (SR)	
	Insurance operation	Shareholders' operations	Insurance operations	Shareholders' operations
Receivable for Unit linked investments	6,749,181	-	4,168,095	-
Prepaid rent	1,248,231	-	1,321,439	-
Deferred incentive plan costs (note 24)	178,031	-	229,973	-
Accrued investment income	151,416	569,613	182,295	1,033,005
Receivable from related party	4,999,350		5,233,274	
Other assets	995,531	-	360,258	-
	14,321,740	569,613	11,495,334	1,033,005

11. Premiums Receivable, Net

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

			Past due not impaired	Past due and impaired Total	
2014 **Amount in SR**	Total	Neither past due nor impaired	Up to 90 days	Less than 180 days	More than 180 days
Premiums receivable	272,905,774	-	193,121,928	18,862,673	60,921,173
Provision for doubtful debts	(39,891,831)	-	-	(2,829,401)	(37,062,430)
Premiums receivable, net	**233,013,943**	**-**	**193,121,928**	**16,033,272**	**23,858,743**

			Past due not impaired	Past due and impaired Total	
2013 **Amount in SR SR**	Total	Neither past due nor impaired	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**

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:

	2014 SR	2013 SR
Balance at the beginning of the year	34,968,775	30,482,461
Provided for the year	4,923,056	4,486,314
Balance at the end of the year	**39,891,831**	**34,968,775**

12. Cash and Cash Equivalents

	2014 (SR)		2013 (SR)	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Cash in hand	654,696	-	680,148	-
Cash at bank	62,326,436	5,705,081	49,526,463	1,815,310
	62,981,132	**5,705,081**	**50,206,611**	**1,815,310**

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 commission on the deposit is the same as for the previous year; SR 76,025 (2013: 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:

	2014 SR	2013 SR
Bonds-quoted	51,052,925	24,585,094
Funds-quoted	15,237,898	15,119,299
Total	66,290,823	39,704,393

The cumulative unrealised loss in fair value of available for sale investments amounting to SR 497,805 (31 December 2013: SR 2,125,422) 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:

	2014 SR	2013 SR
Balance at the beginning of the year	39,704,393	29,881,185
Acquisition during the year	24,958,813	21,858,000
Disposals during the year	-	(10,009,635)
Unrealised gain/(loss) on available for sale investments	1,627,617	(2,025,157)
Balance at the end of the year	**66,290,823**	**39,704,393**

c) Shareholders' available for sale investments:

	2014 (SR)		
	Quoted	Unquoted	Total
Bonds	94,950,914	-	94,950,914
Sukuk	-	40,000,000	40,000,000
Funds	12,242,794	-	12,242,794
Equities	-	3,223,078	3,223,078
Total	107,193,708	43,223,078	150,416,786

	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

The cumulative gain/(loss) in fair value of available for sale investments amounting to SR 160,632 (31 December 2013: SR (225,266) 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:

	2014 SR	2013 SR
Balance at the beginning of the year	147,464,448	145,447,419
Acquisitions during the year	14,648,031	14,911,562
Disposals during the year	(12,204,993)	(10,000,000)
Unrealised gain/(loss) on available for sale investments	509,300	(2,894,533)
Balance at the end of the year	150,416,786	147,464,448

e) Credit Rating

Following is the credit rating of available for sale investments:

Credit quality	Credit Rating Agency	Financial Instrument	31 December 2014	31 December 2013
Very strong quality AA	S&P/ Moody's	Bonds / Sukuks	12,431,250	29,091,300
Strong quality A+	S&P	Bonds / Sukuks	117,519,664	94,956,000
Satisfactory quality A-	S&P	Sukuk	5,000,000	5,000,000
Unrated	N/A	Equities/Sukuk/Mutual Funds	15,465,872	18,417,148

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;

1. Insurance operations

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

	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

2. Shareholders' operations

	2014 (SR)			
	Level 1	Level 2	Level 3	Total
Bonds	94,950,914	-	-	**94,950,914**
Sukuk	-	-	40,000,000	**40,000,000**
Funds	12,242,794	-	-	**12,242,794**
Equities	-	-	3,223,078	**3,223,078**
Total	**107,193,708**	**-**	**43,223,078**	**150,416,786**

	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

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 2014 and year ended 31 December 2013.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2014 SR	2013 SR
As the beginning of the year	44,228,078	49,323,578
Purchase during the year	-	5,000,000
Disposal / maturities during the year	(1,005,000)	(10,095,500)
As the end of the year	43,223,078	44,228,078

15. Related Party Transactions and Balances

The following are the details of related party transactions during the year ended 31 December 2014 and 31 December 2013 and the related affiliate's balances as at 31 December 2014 and 31 December 2013:

Related party	Nature of transaction	2014 SR	2013 SR
Entities controlled, jointly controlled or significantly influenced by related parties.	- Insurance premium written	17,440,950	23,033,062
	- Insurance premium ceded	94,524,126	66,893,537
	- Gross claims paid	3,075,371	13,920,491
	- Reinsurance share of claims paid	40,051,250	31,789,276
	- Commission expense	5,218,919	5,647,347
	- Commission income	16,566,757	4,029,023
	Other expenses		
	- Third party administrator (TPA) fees	2,609,496	2,795,427
Key management personnel	Remuneration and related expenses	6,808,525	7,610,634
Board members	Fees and related expenses	242,437	181,531

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

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

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

		2014 SR	2013 SR
Entities controlled, jointly controlled or significantly influenced by related parties.			
	- Accrued expenses	3,117,963	1,364,423
	- Premium receivable, net	9,816,531	10,396,381
	- Reinsurance balance payable	50,504,175	53,768,406
	- Outstanding claims	6,036,255	2,095,003

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

	2014 SR	2013 SR
Balance at the beginning of the year	8,457,100	6,589,383
Provided for the year	2,233,952	3,061,673
Paid during the year	(627,093)	(1,193,956)
Balance at the end of the year	**10,063,959**	**8,457,100**

17. Unearned Premiums

	2014 SR	2013 SR
Balance at the beginning of the year	114,689,412	66,234,777
Net premiums written during the year	398,094,235	402,963,199
Net premiums earned during the year	(420,631,445)	(354,508,564)
	92,152,202	**114,689,412**
Reinsurance share of unearned premium	196,712,050	156,094,252
Balance at the end of the year	**288,864,252**	**270,783,664**

18. Mathmatical Reserve

	2014 SR	2013 SR
Balance at the beginning of the year	576,114,237	534,437,849
Change in mathematical reserves and surplus during the year	17,509,675	41,676,388
Balance at the end of the year	**593,623,912**	576,114,237

19. Unearned Commission Income

	2014 SR	2013 SR
Balance at the beginning of the year	12,175,886	13,340,083
Commission received during the year	22,067,131	26,558,491
Commission earned during the year	(21,947,535)	(27,722,688)
Balance at the end of the year	**12,295,482**	12,175,886

20. Accrued Expenses and Other liabilities

	2014 SR		2013 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Accrued bonus	3,628,454	-	4,954,142	-
Inspection and supervision fees	1,703,959	-	1,865,637	-
Consultation and professional fees	372,009	-	289,628	-
Claims payable	12,856,508	-	7,101,350	-
Payable to related party	-	-	18,592,292	-
Others	1,113,535	-	5,895,162	-
Others	661,888	124,824	182,078	117,522
	19,674,465	124,824	38,698,211	117,522

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:

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

The frequency and severity of claims can be affected by several factors like natural disasters, floods, environmental and economic events, atmospheric disturbances, concentration of risks, civil riots etc. The Company manages these risks 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 variables such as legislative changes or uncertainty in the estimation process. However, the sensitivity to changes in claim liabilities net of reinsurance by 5% is analysed separately for each class of business while keeping all other assumptions constant. A hypothetical 5% change in claims ratio would impact statement of income of insurance operations by approximately SR 21,000,000 (2013: SR: 18,000,000).

22. Provision for Zakat and Income Tax

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

	2014 SR	2013 SR
Provision for zakat	2,836,657	2,213,463
Provision for income tax	1,526,651	1,838,655
	4,363,308	4,052,118

(a) Zakat

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

	2014 SR	2013 SR
Opening share capital	200,000,000	200,000,000
Reserves and opening provisions	16,518,349	7,375,529
Closing value of long term assets	(42,653,069)	(26,431,732)
	173,865,280	180,943,797
Zakatable income for the year	23,880,035	21,763,605
Zakat base	197,745,315	202,707,402
Total Saudi share of zakat base	113,466,262	88,538,539
Zakat due at 2.5% on Saudi shareholding	**2,836,657**	2,213,463

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:

	2014 SR	2013 SR
Net income for the year	15,887,716	12,815,948
Add: Inadmissible expenses	25,502,599	10,734,255
Less : Admissible expenses	(17,510,275)	(1,786,598)
Adjustment of brought forward losses	(5,970,009)	(5,440,898)
Taxable income	**17,910,031**	16,322,707
Non Saudi base	7,633,255	9,193,275
Provision for income tax (20%)	**1,526,651**	1,838,655

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

	2014 SR	2013 SR
Opening balance of zakat and tax payable	7,487,408	4,420,173
Provided during the year	4,363,308	4,052,118
Payment made during the year	(1,297,789)	(984,883)
Closing balance of zakat and tax payable	**10,552,927**	7,487,408

(d) Status of assessments

The Company has filed tax and zakat declarations for the years ended 31 December 2008 to 31 December 2013 and the assessments for these years are still outstanding. The Company has filed appeals against the Department of Zakat and Income Tax (DZIT) assessments of additional zakat arising from disallowance of long term investments from zakat base for the years 2010, 2011, 2012 and 2013. The Company has accounted for the additional zakat provision in the financial statements.

The Company is in the process of filing tax and zakat returns for the year ended 31 December 2014 with the DZIT.

23. Share Capital

The authorized and issued share capital of the Company is SR 200,000,000 as at 31 December 2014 and 31 December 2013 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 significant minority shareholder of the Company. The GEI plan consists of Restricted Stock Units (RSU). In accordance with the pre-requisites of these cash-settled equity plans, key management personnel (the eligible personnel) of the Company would be granted, a certain number of RSU's at the time of exercise, provided the eligible personnel were still employed within the Allianz Group.

The obligation under the above plans is measured at fair value at the statement of financial position date based on pricing information provided by the 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 the Allianz Group thus restricting/capping the liability of the Company. During the year ended 31 December 2014, an amount of SR 660,000 was accrued toward the GEI plan (2013: SR 668,125).

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 2014 and 31 December 2013.

26. Premiums Written and Earned

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

	2013 (SR)		
	Gross	Reinsurance share	Net
General insurance	568,313,022	(333,754,281)	234,558,741
Protection and saving insurance	177,561,788	(9,157,330)	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

27. General and Administrative Expenses

	2014 SR		2013 SR	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
Employees' costs	42,226,032	636,839	52,121,266	714,687
Consultation fees	4,119,469	-	5,142,197	-
Provision for doubtful debts (note 11)	4,923,056	-	4,486,314	-
Rent	2,828,533	-	2,822,283	-
Depreciation (note 6)	1,375,012	-	1,407,096	-
Repairs and maintenance	1,961,745	-	1,391,470	-
Postage and telephone	1,119,723	-	1,109,842	-
Advertisement and promotion	447,125	-	595,126	-
Travel and transportation	458,719	-	478,036	-
Board expenses	124,176	67,752	118,397	64,599
Others	4,996,882	-	3,161,980	-
	64,580,472	**704,591**	72,834,007	779,286

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 organisational 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 summarised below:

a) Operational/Process risk

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

b) Insurance risk

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

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

Protection & Saving

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

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

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

General Insurance

Frequency and amounts of claims

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

Medical

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

Motor

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

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

Fire and burglary

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

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

Marine

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

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

Engineering

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

Public liability

For public liability insurance, 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	31 December 2014 Amount in SR			
Insurance operations' assets	Current	Non- current	Unit-Linked	Total
Equipment, furniture and vehicles	-	2,104,837	-	2,104,837
Reinsurers' share of outstanding claims	195,791,834	-	-	195,791,834
Reinsurers' share of unearned premiums	196,712,050	-	-	196,712,050
Deferred policy acquisition costs	13,837,659	-	-	13,837,659
Unit linked investments	-	-	587,082,779	587,082,779
Available for sale investments	-	66,290,823	-	66,290,823
Premiums receivable, net	233,013,943	-	-	233,013,943
Reinsurance balances receivable	39,406,041	-	-	39,406,041
Prepayments and other assets	14,321,740	-	-	14,321,740
Cash and cash equivalents	62,981,132	-	-	62,981,132
	756,064,399	68,395,660	587,082,779	1,411,542,838
Shareholders' assets				
Statutory deposit	-	20,076,025	-	20,076,025
Available for sale investments	-	150,416,786	-	150,416,786
Due from insurance operations	18,687,760	-	-	18,687,760
Prepayments and other assets	569,613	-	-	569,613
Cash and cash equivalents	5,705,081	-	-	5,705,081
	24,962,454	170,492,811	-	195,455,265
Insurance operations' liabilities				
Employees' end of service benefits	-	10,063,959	-	10,063,959
Unearned premiums	288,864,252	-	-	288,864,252
Unearned commission income	12,295,482	-	-	12,295,482
Mathematical reserves	-	-	593,623,912	593,623,912
Outstanding claims	277,155,299	-	-	277,155,299
Due to shareholders' operations	18,687,760	-	-	18,687,760
Reinsurance balances payable	188,838,218	-	-	188,838,218
Accrued expenses and other liabilities	19,674,465	-	-	19,674,465
	805,515,476	10,063,959	593,623,912	1,409,203,347
Shareholders' liabilities				
Zakat and income tax payable	10,552,927	-	-	10,552,927
Accrued expenses and other liabilities	124,824	-	-	124,824
	10,677,751	-	-	10,677,751

Maturity analysis on expected maturity bases	31 December 2013 Amount in SR			
Insurance operations' assets	Current	Non- current	Unit-Linked	Total
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	156,094,252	-	-	156,094,252
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	11,495,334	-	-	11,495,334
Cash and cash equivalents	50,206,611	-	-	50,206,611
	684,253,753	42,461,551	573,574,486	1,300,289,790
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 and 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 reserves	-	-	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	38,698,211	-	-	38,698,211
	716,295,958	8,457,100	576,114,237	1,300,867,295
Shareholders' liabilities				
Zakat and income tax payable	7,487,408	-	-	7,487,408
Accrued expenses and other liabilities	117,522	-	-	117,522
	7,604,930	-	-	7,604,930

The table below summarises 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 recognised insurance liabilities. Unearned premiums and the reinsurance share of unearned premiums have been excluded from the analysis as they are not contractual obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

	31 December 2014 Amount in SR				
Insurance operations' assets	No fixed maturity	Up to1 year	2-5 years	More than5 years	Total
Reinsurers' share of outstanding claims	-	195,791,834	-	-	195,791,834
Unit linked investments	587,082,779	-	-	-	587,082,779
Available for sale investments	15,237,898	-	5,000,000	46,052,925	66,290,823
Premiums receivable, net	-	233,013,943	-	-	233,013,943
Reinsurance balances receivable	-	39,406,041	-	-	39,406,041
Cash and cash equivalents	-	62,981,132	-	-	62,981,132
	602,320,677	531,192,950	5,000,000	46,052,925	1,184,566,552
Shareholders' assets					
Statutory deposit	20,076,025	-	-	-	20,076,025
Available for sale investments	15,465,872	22,640,625	55,052,789	57,257,500	150,416,786
Due from insurance operations	-	18,687,760	-	-	18,687,760
Cash and cash equivalents	-	5,705,081	-	-	5,705,081
	35,541,897	47,033,466	55,052,789	57,257,500	194,885,652
Insurance operations' liabilities					
Employees' end of service benefits	10,063,959	-	-	-	10,063,959
Mathematical reserves	593,623,912	-	-	-	593,623,912
Outstanding claims	-	277,155,299	-	-	277,155,299
Due to shareholders operations	-	18,687,760	-	-	18,687,760
Reinsurance balances payable	-	188,838,218	-	-	188,838,218
Accrued expenses and other payables	-	19,674,465	-	-	19,674,465
	603,687,871	504,355,742	-	-	1,108,043,613
Shareholders' liabilities					
Accrued expenses and other liabilities	-	124,824	-	-	124,824
Zakat and income tax payable	-	10,552,927	-	-	10,552,927
	-	10,677,751	-	-	10,677,751

	As at 31 December 2013 SR				
Insurance operations' assets	No fixed maturity	Up to1 year	2-5 years	More than5 years	Total
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 reserves	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 balances payable	-	157,174,241	-	-	157,174,241
Accrued expenses and other payables	-	38,698,211	-	-	38,698,211
	584,571,337	432,400,292	-	-	1,016,971,629
Shareholders' liabilities					
Accrued expenses and other liabilities	-	117,522	-	-	117,522
Zakat and income tax payable	-	7,487,408	-	-	7,487,408
	-	7,604,930	-	-	7,604,930

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 recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Premiums receivable are mainly receivable from individuals and corporate customers (unrated). The Company seeks to limit the credit risk with respect individuals and corporate customers by setting credit limits and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company's investments mainly comprise of debt securities and sukuk. The Company does not have an internal grading mechanism for debt securities. The Company limits its credit risk on debt securities by setting out a minimum acceptable security rating level for such investments.

Premiums receivable comprise a large number of receivables from individual and corporate clients. The five largest premium receivable accounts constitute 32% of premium receivable as at 31 December 2014 (2013: 48%).

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

	2014 SR		
	Insurance Operations	Shareholders' Operations share	Total
Premiums receivable, net	233,013,943	-	233,013,943
Reinsurance share of outstanding claims	195,791,834	-	195,791,834
Cash and cash equivalents	62,981,132	5,705,081	68,686,213
Reinsurance balances receivable	39,406,041	-	39,406,041
Available for sale investments	51,052,925	134,950,914	186,003,839
Statutory deposit	-	20,076,025	20,076,025
	582,245,875	**160,732,020**	**742,977,895**

	2013 SR		
	Insurance Operations	Shareholders' Operations share	Total
Premiums receivable, net	239,253,312	-	239,253,312
Reinsurance share of outstanding claims	170,427,971	-	170,427,971
Cash and cash equivalents	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
Statutory deposit	-	20,076,025	20,076,025
	523,716,917	158,037,323	681,754,240

e) Special commission rate risk

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

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the profit for one year, based on the floating rate financial assets held at 31 December 2014. A hypothetical 100 basis points change in the weighted average special commission rate of the floating rate at 31 December 2014 would impact special commission income by approximately SR 200,000 (2013; SR 160,000) annually in aggregate.

f) Currency risk

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

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

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, there is no impact on the 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 shareholders' equity by increase/decrease of SR 1,071,937 (2013: SR 1,032,364) and insurance operations' accumulated surplus by increase/ decrease of SR 662,908 (2013: SR 397,044).

i) Capital management

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

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

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

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

- Minimum Capital Requirement of SR 100 million
- Premium Solvency Margin
- Claims Solvency Margin

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

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 financial liabilities are not materially different from their carrying values at the statement of financial position date.

29. Basic and Diluted Earnings per Share

	2014	2013
Net income for the year (SR)	15,887,716	12,815,948
Weighted average number of ordinary shares	20,000,000	20,000,000
Basic and diluted earnings per share (SR)	**0.79**	**0.64**

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 litigation) will have a material effect on the Company's 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 2014	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
				Saudi Riyals				
Gross written premiums	155,178,532	116,603,844	55,293,954	114,891,008	104,355,956	178,786,696	-	725,109,990
Reinsurance premiums ceded	(3,944,023)	(105,168,315)	(30,883,574)	(93,942,789)	(80,403,105)	(12,673,949)	-	(327,015,755)
Net written premiums	151,234,509	11,435,529	24,410,380	20,948,219	23,952,851	166,112,747	-	398,094,235
Net premiums earned	176,333,480	11,344,821	27,975,282	18,935,268	22,661,500	163,381,094	-	420,631,445
Unrealised gain on unit linked investments	-	-	-	-	-	9,365,419	-	9,365,419
Net claims incurred	(158,888,202)	(2,801,829)	(20,991,162)	(5,055,770)	(3,140,483)	(125,879,816)	-	(316,757,262)
Change in premium deficiency reserves	-	-	936,116	-	-	-	-	936,116
Change in mathematical reserves	-	-	-	-	-	(17,509,675)	-	(17,509,675)
Commission (expenses)/ income,net	(15,288,842)	(32,465)	(1,665,232)	4,073,134	1,338,112	(6,598,939)	-	(18,174,232)
Inspection and supervision fees	(775,893)	(583,019)	(276,470)	(574,455)	(1,074,720)	(893,933)	-	(4,178,490)
Net underwriting results	1,380,543	7,927,508	5,978,534	17,378,177	19,784,409	21,864,150	-	74,313,321
Unallocated income	-	-	-	-	-	-	-	3,160,940
Unallocated expenses	-	-	-	-	-	-	-	(64,580,472)
Surplus from insurance operations	-	-	-	-	-	-	-	12,893,789
Retained in insurance operations	-	-	-	-	-	-	-	(1,289,379)
Shareholders' total revenue	-	-	-	-	-	-	4,987,897	4,987,897
General and administrative expenses	-	-	-	-	-	-	(704,591)	(704,591)
Net income for the year								15,887,716

31 December 2014	Motor	Engineering	Medical	Property	Other General	Protection & Saving	Shareholders' Fund	Total
				Saudi Riyals				
Insurance Operations' Assets								
Reinsurers' share of unearned premiums	285,660	116,181,858	4,908,121	32,923,421	37,674,148	4,738,842	-	196,712,050
Reinsurers' share of outstanding claims	3,550,361	89,259,472	-	81,106,263	15,541,417	6,334,321	-	195,791,834
Deferred policy acquisition costs	4,623,900	4,042,735	158,466	2,862,601	1,287,018	862,939	-	13,837,659
Premiums receivable, gross	59,243,374	77,722,104	17,403,328	22,463,749	81,257,358	14,815,861	-	272,905,774
Provision for doubtful debts	-	-	-	-	-	-	-	(39,891,831)
Unit linked investments	-	-	-	-	-	587,082,779	-	587,082,779
Unallocated assets	-	-	-	-	-	-	-	185,104,573
Shareholders' assets	-	-	-	-	-	-	195,455,265	195,455,265
Total assets								1,606,998,103
Insurance Operations' Liabilities								
Unearned premiums	58,688,193	126,100,484	7,730,633	41,993,139	46,442,547	7,909,256	-	288,864,252
Outstanding claims	52,072,482	94,016,385	5,640,961	91,842,759	22,140,900	11,441,812	-	277,155,299
Unearned commission income	45,758	6,515,723	-	3,330,438	2,268,087	135,476	-	12,295,482
Mathematical reserves	-	-	-	-	-	593,623,912	-	593,623,912
Unallocated liabilities and surplus	-	-	-	-	-	-	-	239,603,893
Shareholders' liabilities and equity	-	-	-	-	-	-	195,455,265	195,455,265
Total Insurance Operations liabilities, surplus and Shareholders' liabilities and equity								1,606,998,103

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 premiums ceded	(5,056,482)	(138,394,942)	(30,579,101)	(105,060,810)	(54,662,945)	(9,157,331)	-	(342,911,611)
Net written premiums	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
Unrealised 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 and administrative expenses	-	-	-	-	-	-	(779,286)	(779,286)
Net income for the year								12,815,948

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	15,328,012	1,305,346	-	156,094,252
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	-	-	-	-	-	-	-	143,407,425
Shareholders' assets	-	-	-	-	-	-	180,472,138	180,472,138
Total assets								1,480,761,928
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	-	-	-	-	-	-	-	213,835,397
Shareholders' liabilities and equity	-	-	-	-	-	-	180,472,138	180,472,138
Total Insurance Operations liabilities, surplus and shareholders' liabilities and equity								1,480,761,928

b) Geographical segments

During the years ended 31 December 2014 and 31 December 2013, the Company operated only in the Kingdom of Saudi Arabia.

32. Comparative Figures

Certain figures for the year ended 31 December 2013 have been reclassified to conform with the presentation of the current year. The reclassification has no impact on the comparatives of net insurance operations surplus and shareholders' net income for the year.

The details of reclassification are as follows;

	Reclassification				
Component	From	Note (financial statements period ended 31 December 2013)	To	Note (financial statements period ended 31 December 2014)	SR
Statement of Financial Position	Accrued expenses and other liabilities (Insurance operations' liabilities)	20	Prepayment and other assets (Insurance operations' assets)	10	5,233,274

34. Approval of the Financial Statments

These financial statements have been approved by the Board of Directors on 29 Rabi Thani 1436H, corresponding to 18 February 2015.

With you from A to z

Host of flexible solutions built to reduce risks and ensure your future.