الشركة السعودية الفرنسية للتأمين التعاوني
Saudi Fransi Cooperative Insurance Company

Right Issue Prospectus
Saudi fransi Cooperative Insurance Company

A Public Saudi Joint Stock Company formed pursuant to the Ministerial Resolution No.142 dated 8/6/1428H (corresponding to 24/6/2007G) and in accordance with Royal Decree No. M/60 dated 18/09/1427 H (corresponding to 11/10/2006G).

Offering of 10,000,000 ordinary shares at an offer price of SR 12.5 per share (nominal value of SR 10, plus a premium of SR 2.5) through a rights issue. This offering represents an increase in the Company's Capital of SR 100,000,000 and a total offer premium of SR 25,000,000. The increase represents 100 % of the Company's Capital.

Offering Period from 25/04/1431 H (corresponding to10/04/2010 G) to 05/05/1431 H (corresponding to 19/04/2010 G),

Saudi Fransi Cooperative Insurance Company (hereinafter referred to as the "Company") is a public joint stock company registered in Saudi Arabia under Commercial Registration Number 1010235601 pursuant to the Ministerial Resolution No. 142 dated 8/6/1428H (corresponding to 24/62007G) and in accordance with Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G). The share capital of the Company is currently SR 100,000,000 (currently one hundred million) consisting of 10,000,000 (ten million) shares with a nominal value of SR 10 each (each an "Existing Share" and collectively the "Existing Shares"), all of which are fully paid.

This Rights Issue (the "Offering") consists of the issuance of 10,000,000 new shares (referred to as "New Shares"), at a nominal value of SR 10 plus a premium of SR 2.5 per share ("Offer Price") to registered holders of Shares (each a "Qualifying Shareholder" and collectively the "Qualifying Shareholders") as at the end of the trading day of the Extraordinary General Meeting ("EGM") which decided such capital increase (the "Record Date"). The purpose is to increase the share capital of the Company from 10,000,000 shares to 20,000,000 shares. The New Shares will be offered on the basis of one New Share for every Existing Share held at the Record Date by the Qualifying Shareholder.

The Rights Issue will be allotted to the Qualifying Shareholders who have expressed their desire to subscribe thereto, in proportion to the Existing Shares owned by them, as at the Record Date. The remaining Shares that were not subscribed to by their holders–if any- will be allocated to the Qualifying Shareholders who applied for more than the minimum number to which they are entitled to pursuant to the "Subscription Terms and Conditions". All fractional entitlements will be pooled together in one portfolio and sold at market price. The surplus of the offer price will be then distributed pro rata to the holders of shares at the Record Date. Following completion of the Offering, the capital of the Company will be SR 200,000,000 and the number of shares will be 20,000,000 Shares. The net proceeds will be used to finance the future plans of expansion of the Company and for the general objects of the Company (Refer to Section 6 entitled "Use of Proceeds"). The net proceeds of the Offering will be utilized to finance the Company's expansion plans and for general corporate purposes; the Company's Shareholders will not receive any proceeds resulting from the Offering (See Section 6 ("Use of Proceeds").The Company's Board of Directors has recommended increasing the Capital of the Company in its meeting held on 3/2/1431H (corresponding to 18/1/2010G), after obtaining all necessary regulatory approvals. On 18/4/1431H (corresponding to 3/4/2010G), the EGM approved the recommendation to increase the Capital of the Company from SR 100,000,000 (one hundred million) to SR 200,000,000 (two hundred million).

The Rights Issue Offering Period will commence on 25/04/1431 H (corresponding to 10/04/2010 G) and will remain open for a period of 10 days up to and including the closing day of subscription on 05/05/1431 H (corresponding to 19/04/2010 G) (the "Offering Period"). Qualifying Shareholders (collectively the "Subscribers", and each one a "Subscriber") may submit their application to subscribe to the New Shares at the Lead Manager's offices or at branches of one of the Receiving Banks ("Receiving Banks") as set forth in page v of this Prospectus during the Offering Period. The procedure for acceptance and payment is set out in the Section entitled "How to apply". The excess subscriptions monies (if any) will be returned to Qualifying Shareholders without any charge, commission or deductions by the Lead Manager or the Receiving Banks. Notification of the final allotment and refund of subscription monies, if any, will be made on 10/05/1431 H (corresponding to 24/04/2010 G) (See Section 15 "Subscription Terms and Conditions").

The Company has only one class of Shares and no share gives its holder preferential rights. New shares will be fully paid-up and rank equally in all respects with the Existing Shares. Each New Share entitles its holder to one vote and each shareholder ("Shareholder") with at least 20 Shares has the right to attend and vote at general assemblies of the Shareholders. The New Shares will be entitled to receive dividends declared by the Company, if any (See Section entitled ("Dividend Policy")). The Existing Shares are currently traded in the Saudi financial market. Application has been made to the Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority" or "CMA") for the admission of the New Shares to the Official List of the Saudi Arabian Stock Exchange ("Tadawul" or "Exchange"). Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares and the return of the surplus (See Key Important Dates for Investors in page ix). Qualifying Shareholders contemplating to purchase New Shares should review the "Important Notice" and "Risk Factors" sections in this Prospectus for a discussion of certain factors that should be considered before taking a decision in relation to the Offering.

Financial Advisors and Lead Manager

Underwriter

Receiving Banks

This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia (the "Authority"). The Directors, whose names appear on page iii, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 20/4/1431H (corresponding to 5/4/2010G)

Important Notice

This Prospectus provides full details of information relating to Saudi Fransi Cooperative Insurance Company herein after referred to as the "Company" and the New Shares being offered. In applying for the New Shares, Qualifying Shareholders will be treated as applying only on the basis of the information contained in this Prospectus, copies of which are available from either branches of the Lead Manager or the Receiving Banks, or by visiting the Company's website (www.allianzsf.com) or the Authority's website (www.cma.org.sa).

The Company has appointed Calyon Saudi Fransi as its Financial Advisor, Lead Manager and Underwriter with respect to the Offering of the Rights Issue referred to in this Prospectus. This Prospectus includes information given in compliance with the Listing Rules issued by the Authority. The Directors, whose names appear on page iii, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Exchange take no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and explicitly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither the Company nor its Financial Adviser or the Company's advisors whose names appears in page viii do not have any reason to believe that any of the market or industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the New Shares may be adversely affected by future developments in inflation, financing costs, taxation or other economic, political and other factors, over which the Company may not have control. Neither the delivery of this Prospectus nor any oral, written or printed communication in relation to the New Shares is intended to be, or should be construed as or relied upon in any way as a promise, undertaking or representation as to future profits, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, its Directors or any of their advisers to participate in the Rights Issue. Moreover, information provided in this Prospectus is general and has been prepared without taking into account any investment objective, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Rights Issue and for considering the appropriateness of the information herein with regard to the recipient's individual objectives, financial situations and needs.

The Offering is only being made to Qualifying Shareholders who are registered in the Company's register at the end of the trading day of the EGM on 18/4/1431H (corresponding to 3/4/2010G). The distribution of this Prospectus and the sale of the New Shares in any other country are explicitly prohibited. The Company and the Lead Manager require recipients of this Prospectus to inform themselves about and to observe any legal restrictions. The offering of the New Shares through this Prospectus is subject to the shareholders' approval. An invitation to attend the Company's EGM approving the rights issuance was published on 25/3/1431H (corresponding to 11/3/2010G). The shareholders should know that a failure to obtain the shareholders' approval on this Rights Issue will prevent the rights' offering, in which case this Prospectus would become void. If this is the case, shareholders will be notified accordingly.

Industry and Market Information

Market data and certain industry forecasts used in this Prospectus were obtained from internal surveys and reports, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy or completeness of such information cannot be guaranteed. Similarly, internal surveys and reports and market research, whilst believed by the Company to be reliable and accurately extracted by the Company for the purposes of this Prospectus, have not been independently verified and the Company makes no guarantees or representations as to the accuracy of such information. Qualifying Shareholders should refer to the cautionary note on forward-looking statements above.

financial Statements

The audited financial statements for the period from 1st January 2009 to 31st December 2009 and the accompanying notes incorporated in this Prospectus have been prepared in conformity with the international standards of financial reporting. These statements were jointly audited by Al Bassam Certified Public Accountants and KPMG Al Fozan and Al Sadhan. The Company issues its financial statements in Saudi Riyals.

Forecasts and Forward-Looking Statements

Forecasts and forward-looking statements set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions and completion of projects under development may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts or forward-looking statements.

This Prospectus includes statements that are, or may be deemed to be, ''forward-looking statements''. These forward looking statements can be identified by the use of forward-looking terminology, including the terms ''believes'', ''estimates'', ''anticipates'', ''expects'', ''intends'', ''plans'', ''goal'', ''target'', ''aim'', ''may'', ''will'', ''would'', ''could'' "must", "seek", "it is expected" or ''should'' or, in each case, their negative or other variations or comparable terminology which indicated the future. These forward-looking statements reflect the current views of the Company with respect to future events, and are not guarantee of future performance. There are many factors which may lead to divergence of the Company's actual results, performance, development's or achievements from any results, performance or future achievements (explicitly on impliedly) in the forward looking statements. Some of the risks and important factors that may have this diverging effect are mentioned in more detail in other sections of this Prospectus (see "Risk Factors"). If any of those risks or situations occurs, or if it appears that any of the assumptions are not accurate or correct, then the actual results may differ substantially from those mentioned in this Prospectus as anticipated, believed, planned or expected.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary prospectus to the CMA if it appears to the Company at any time after the CMA's approval of the Prospectus and before admission to the Official List, that (1) there has been a significant change in material matters mentioned in the Prospectus or any document required by the Listing Rules; or (2) additional important matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Qualifying Shareholders should consider all forward-looking statements in light of the above and should not place undue reliance on forward looking statements.

Corporate Directory

Board of Directors

Name	Nationality	Title	Executive/Non Executive	Dependent/ Independent	Number of Shares
Yousef Hamdan Nasser AlHamdan	Saudi	Chairman	Non Executive	Independent	1,000
Sameer Moahmmed Abdulaziz AlHamidi	Saudi	Member	Non Executive	Independent	1,000
Jean Marie Marion	French	Member	Non Executive	Non Independent	N/A
Abdurrahman Amin Jawa	Saudi	Member	Non Executive	Non Independent	N/A
Nizar Abdulrazzaq AlQannas	Saudi	Member & BOD Secre-tary	Non Executive	Non Independent	N/A
Hugues de Roquette Buisson	French	Member	Non Executive	Non Independent	N/A
Heinz Dolberg	German	Member	Non Executive	Non Independent	N/A
Antoine Jean Issa	Lebanese	Member & CEO	Executive	Non Independent	N/A

an independent Board member will be appointed at the first general assembly to be convened after the completion of this Rights Issue, in compliance with article 12 of the corporate governance regulations.

Registered Office

Saudi Fransi Cooperative Insurance Company
Al Safwa Commercial Building
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Riyadh

Tel: 01 8749700

Fax: 01 8749799

Webpage: www.allianzsf.com

Company's Secretary Of The Board

Banque Saudi Fransi

P.O. Box 56006

Riyadh 11554

Kingdom of Saudi Arabia

Mr. Nizar AlQannas

Board Secretary

Tel: 01 4042222

Fax01 4037261

e-mail: nalqannas@alfransi.com.sa

Company's Authorized Representative

Banque Saudi Fransi

P.O. Box 56006

Riyadh 11554

Kingdom of Saudi Arabia

Mr. Nizar AlQannas

Tel: 01 4042222

Fax01 4037261

e-mail: nalqannas@alfransi.com.sa

Share Registrar

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Fax: +966 (1) 218 1260
Email: webinfo@tadawul.com.sa
Website: www.tadawul.com.sa

Financial Advisor and lead manager

Calyon Saudi Fransi Limited
P.O. Box 56006
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Tel: +966 (1) 2899999
Fax: +966 (1) 2891895

Legal Advisor to the Transaction

Turkey Abdullah Al Shubaiky in association with Baker & McKenzie Limited
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Saudi Arabia
Tel: +966 1 2915561
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Auditors

KPMG Al Fozan & Al Sadhan
Adrdress:
5th floor, KPMG Tower
Salaheddin Street P O Box 92876
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Kingdom of Saudi Arabia
Tel: 00966 1 8748670
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Al-Bassam Certified Public Accountants & Consultants
Address :
502 Matbouli Plaza Al Ruwais;
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Tel: 00966 2 6525333
Fax: 00966 2 6522894

Underwriter

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Receiving Banks

Banque Saudi Fransi
P.O. Box 56006
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Kingdom of Saudi Arabia
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Fax: +966 (1) 404 2311

Samba Financial Group
P.O. Box 833
Riyadh 11421- Kingdom of Saudi Arabia

SABB Bank
P.O. Box 9084
Riyadh 11413- Kingdom of Saudi Arabia

The National Commercial Bank
P.O. Box 3555
Jeddah 21481- Kingdom of Saudi Arabia

Riyad Bank
P.O. Box 22622
Riyadh 11416- Kingdom of Saudi Arabia

The Main Bank With Which The Company Deals

Banque Saudi Fransi
P.O. Box 56006
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Kingdom of Saudi Arabia
Tel: +966 (1) 404 2222
Fax: +966 (1) 404 2311

Notice: The above mentioned entities have given and, as at the date of this Prospectus, have not withdrawn their written consent to the use of their names and logos and the inclusion of the information provided by them in this Prospectus.

Summary of the Offering

The Company	Saudi Fransi Cooperative Insurance Company is a public joint stock company registered in Saudi Arabia under Commercial Registration number 1010235601, pursuant to the Royal Decree M/60 dated 18/09/1427 H (corresponding to 11/10/2006 G). The Company practices different types of insurance activities in accordance with the principles of the Law on the Supervision of cooperative insurance companies and its Implementing Regulations (the "Regulations"), all under the supervision of the Saudi Arabian Monetary Agency ("SAMA")
Nature of the Offer	Rights Issue
Offer Price	SR 12.5 per New Share, payable in full at the time of subscription.
Nominal Value	SR 10 per share.
Premium	SR 2.5
Number of Existing Shares	10,000,000 fully paid Ordinary Shares
Current Capital of the Company	SR 100,000,000
Number of Shares Available for Subscription	10,000,000 Shares
Total Number of Shares After Subscription	20,000,000 Shares
Percentage of Capital Increase	The capital of the company will be increased by 100 %
Capital of the Company after the Increase	SR 200,000,000
Total Proceeds	SR 125,000,000
Offering Cost	SR 8,500,000
Total Proceeds After Deducting the Offering Expenses	SR 116,500,000
Record Date	The end of the trading day of the Extraordinary General Meeting resolving the capital increase pursuant to the Board recommendation, i.e. 18/4/1431H (corresponding to 3/4/2010G)
Offering Period	The Offering will commence on 25/04/1431 H (corresponding to 10/04/2010 G) and will remain open for a minimum period of 10 days to and including the closing day, which is 05/05/1431 H (corresponding to 19/04/2010 G)
Allocation date	10/05/1431 H (corresponding to 24/04/2010 G)
Shareholders qualifying for the New Shares	The registered holders of Shares as at the end of the trading day of the EGM (i.e. the Record Date)
Qualifying Shareholders who are not participating in the Rights Issue	Qualifying Shareholders who do not participate in the Rights Issue will be subject to a fall in the percentage of their ownership in the Company and the value of the shares they currently hold. In compliance with the CMA's requirements, Qualifying Shareholders who do not subscribe for all or part of the New Shares may receive compensation, if any, to be calculated as shown in the "Subscription Terms and Conditions" section.

Use of Proceeds	The net proceeds of the Offering are expected to reach SR 116,500,000. The Company intends to use these proceeds to cover the solvency requirements and to finance the Company's expansion plans to benefit from the opportunities presented by the local insurance sector, and to execute the general objectives of the Company. The Company's Shareholders will not receive any proceeds resulting from the Offering (see Section 6 (Use of proceeds")). The total cost of these plans is estimated at around SR 8.500.000 and should be entirely covered by way of subscription in rights issue, as per this Prospectus. The Company's Capital will be increased from SR 100,000,000 to SR 200,000,000, which represents a total increase of SR 100,000,000. A premium of SR 25,000,000 will be added to the premiums account included in shareholders' equity.
Subscription for additional Shares	Qualifying Shareholders who subscribed in the New Shares at the Record Date may subscribe for those additional Shares that are not subscribed for. Qualifying Shareholders may subscribe for additional Shares at one of the following prices only: 1. The Offer Price; 2. The Offer Price plus an amount equal to 30% of the difference between the Company's Share price at the end of the trading day preceding the EGM and the Company's Share price after the EGM, multiplied by the result of dividing the current number of Shares and the New Shares, rounded to the nearest whole number; 3. The Offer Price plus an amount equal to 60% of the difference between the Company's Share price at the end of the trading day preceding the EGM and the Company's Share price after the EGM, multiplied by the result of dividing the current number of Shares and the New Shares, rounded to the nearest whole number; or 4. The Offer Price of the New Share plus an amount equal to 90% of the difference between the Company's Share price at the end of the trading day preceding the EGM and the Company's Share price after the EGM, multiplied by the result of dividing the current number of Shares and the New Shares, rounded to the nearest whole number. Subscription for additional shares will be at the following prices: SR 12.5 per share, SR 18.0 per share, SR 23.0 per share and SR 27.0 per share. Qualifying shareholders may not however choose more than one price for the New Shares.
Allocations of New Shares	A minimum of one share will be allocated to every share owned by the shareholders who are registered in the Company's register on the record date, who apply for these shares and properly complete the procedures required for such application (see Section 15 - "Terms and Conditions of the Subscription"). In the event that New Shares are not fully subscribed based on the formula mentioned above, the remaining New Shares will be allocated pro rata to the Qualifying Shareholders who applied for more than the minimum number to which they are entitled to subscribe for. In the event that the Offering is being oversubscribed, each Qualifying Shareholder will be allocated number of New Shares on a pro-rata basis to its Existing Shares. The Underwriter will purchase the remaining New Shares not subscribed for, if any. All fractional entitlements will be pooled together in one portfolio and sold at market price. The surplus of the offer price will be then distributed pro rata to the holders of shares at the record date. (See Section 15 -"Terms and Conditions of the Subscription").
Refund of the Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Qualifying Shareholders without any charge, commission or withholding by the Lead Manager or the Receiving Banks. Final allocations of the New Shares will be declared and refunds will be made by 10/05/1431 H (corresponding to 24/04/2010 G)

Payment of Compensations	Compensations will be paid to shareholders who do not fully or partially participate in the Rights Issue Offering, if any, according to the Company's compensation mechanism.
Terms of Subscription in the Rights Offer	The Offering is only being made to Qualifying Shareholders who are registered in the Company's register at the end of the trading day of the EGM on 18/4/1431H (corresponding to 3/4/2010G). The Subscription Application Forms must be completed fully in accordance with the instructions of Section 15 ("Subscription Terms and Conditions") of this Prospectus. The Company reserves the right to reject, in full or in part, any application that does not comply with any of the Subscription terms or requirements. The Subscription Application Form cannot be amended or withdrawn after submission to the Lead Manager. Once delivered, a Subscription Application Form shall represent a legally binding agreement between the Company and the Qualifying Shareholder.
Trading of Shares	The trading of Offer Shares will start on Tadawul system once all formalities for shares' registration and allocation are completed.
Voting Rights	The Company has only one class of Shares; each Share entitles its holder to one vote. Each Shareholder holding at least 20 Shares has the right to attend and vote at the general assembly meetings.
Dividends	The New Shares will be entitled to receive dividends declared by the Company, from the date of commencement of the Offering and for subsequent fiscal years.
Share Restriction	Pursuant to CMA Instructions, the Founding Shareholders will not be permitted to dispose of any of their shares during the period of three financial years, each year being not less than twelve months, starting from the date when the Company's shares are listed on Tadawul ("Restriction Period"). Thereafter, the CMA's approval must be obtained prior to any sale of shares by the Founding Shareholders.
Risk Factors	There are certain risks relating to an investment in this Offering. These risks can be generally categorised into (i) Risks related to the Company's Operations (ii) Risks related to the Market and Regulatory Environment, and (iii) Risks associated with the New Shares. These risks should be considered carefully prior to making an investment decision in the New Shares (see Section 2 - "Risk Factors").

(The Company received a letter of intent from Banque Saudi Fransi affirming their intention to fully exercise their rights to subscribe to 3,250,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 32.5% of the total of the New Shares).

(The Company received a letter of intent from Allianz France (previously known as AGF International) affirming their intention to fully exercise their rights to subscribe to 1,625,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 16.25% of the total of the New Shares).

(The Company received a letter of intent from Allianz Holding affirming their intention to fully exercise their rights to subscribe to 1,625,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 16.25% of the total of the New Shares).

(The Company received a letter of intent from Mohammad Aba Al Kheil affirming their intention to fully exercise their rights to subscribe to 200,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 2% of the total of the New Shares).

(The Company received a letter of intent from Omran Mohammad Al Omran affirming their intention to fully exercise their rights to subscribe to 200,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 2% of the total of the New Shares).

Key Dates for Investors

Event	Date
Extraordinary General Assembly meeting and Record Date for determining entitlement under the Rights Issues	18/4/1431H (corresponding to 3/4/2010G)
Offering Period	25/04/1431H (corresponding to 10/04/2010G)
Last day for submission of the Subscription Application Forms and Subscription monies	05/05/1431H (corresponding to 19/04/2010G)
Allocation and return of excess subscription monies (if any)	10/05/1431H (corresponding to 24/04/2010G)
Refund of all fractional entitlements in relation to the New Shares	Will be announced shortly in local newspapers and on Tadawul's website.
Beginning of the Trading of the New Shares	The trading of the New Shares will start once all regulatory formalities are completed, shortly after the refund of excess monies, in coordination with the CMA and Tadawul. An announcement will be made in this connection at a later stage.

The above timetable shows indicative dates. Actual dates will be conveyed through announcements appearing in local daily newspapers.

How to Apply

After the approval of the Extraordinary General Assembly to be held on 18/4/1431H (corresponding to 3/4/2010G), Qualifying Shareholders will need to complete and submit a Subscription Application Form in order to apply for the New Shares. Subscription Application Forms will be available at, and can be obtained from, the Lead Manager and branches of the Receiving Banks during the Offering Period. Qualifying Shareholders can also subscribe during the Offering Period through the internet, telephone banking or automated teller machines of the Lead Manager and the Receiving Banks which provide such service. Any of these means can be used by Qualifying Shareholders provided that:

- the Qualifying Shareholder maintains a current account with any of the relevant Receiving Banks or with the Lead Manager; and
- no amendment has been made to the Qualifying Shareholder's details since the Qualifying Shareholder subscribed to the past IPO, unless such amendment has been notified to and acknowledged by the relevant Lead Manager or Receiving Bank.

The Subscription Application Forms must be completed fully in accordance with the instructions provided for in Section 15 ("Subscription Terms and Conditions") of this Prospectus. Every Qualifying Shareholder must approve all the paragraphs of the Subscription Application Form.

The Company reserves the right to reject, in full or in part, any application for new shares that does not comply with any of the Subscription terms or requirements. No amendment can be made to the Subscription Application Form after submission to the Receiving Banks. Once accepted by the Company, a Subscription Application Form shall represent a legally binding contract between the Company and the Qualifying Shareholder (See Section ("Subscription Terms and Conditions").

Summary of Key Information

This section is a summary of the information provided in the Prospectus and does not include all items of concern to Qualifying Shareholders. The following summary information should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in this Prospectus. This summary may not contain all of the information that Qualifying Shareholders should consider before deciding to invest in the New Shares. Qualifying Shareholders have to read the Prospectus in full before taking a final decision to invest in the New Shares.

The Company

Saudi Fransi Cooperative Insurance Company is a public joint stock company registered in Saudi Arabia pursuant to the Royal Decree No M/60 dated 26/6/1428H (corresponding to 11/10/2006G). The Company started its activities following the issuance of Ministerial Resolution No. 142 dated 8/6/1428H (corresponding to 24/6/2007G). Operating under Commercial Registration No. 1010235601 issued in Riyadh on 26/6/1428H, the Company (corresponding to 11/7/2007G)engages in different types of cooperative insurance activities in accordance with the principles of the Law on the Supervision of cooperative insurance companies and its Implementing Regulations (the "Regulations"), all under the supervision of the Saudi Arabian Monetary Agency ("SAMA"). The share capital of the Company is currently SR 100,000,000 consisting of 10,000,000 Shares with a nominal value of SR 10 each, fully paid.

The Company's Vision, Mission and Strategy

Vision

To be amongst the top Saudi insurance companies 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.

Mission Statement

Create Trust – Deliver Excellence from A to z.

Strategy

The object of the Company is to practice insurance activities and all related activities such as reinsurance, agency, representation, correspondence or insurance brokerage, in accordance with the principles of the Saudi Cooperative Insurance Law, its Implementing Regulation and the regulations applicable in Saudi Arabia.

The Company provides insurance solutions to both corporate and individual customers, through distribution channels.

The Distribution Channels are as follows:

- Banque Saudi Fransi: providing retail Bancassurance products.
- Direct sales force: providing individual insurance solutions.
- Selected brokers and dedicated account executives: providing comprehensive solutions for companies.

Competitive Advantage

Given that the Allianz Group and the Banque Saudi Fransi are the main founders of the Company, the latter benefits from the global expertise of Allianz Group, which is one of the worldwide leading insurance companies, and from the local insight of Banque Saudi Fransi, which is one of the finest banks in the Kingdom of Saudi Arabia, in order to provide insurance products and services to both corporate and individuals. The Company believes that the combination of skills, state-of-the-art technical standards and local expertise will provide both corporate and individual customers with unique solutions to all their insurance needs.

That would lead to increased competitiveness, which brings together local insight and world-class standards and technologies, in order to provide insurance products and services to corporate and individual customers. The Company is also working on developing different distribution channels to enhance customer's access to these products and services. These channels include:

- Bancassurance products and services: the provision of retail Bancassurance products through Banque Saudi Fransi branches, in accordance with the Bancassurance Distribution Agreement with Banque Saudi Fransi.
- Direct Sales Force: the distribution of a comprehensive range of individual insurance products through an in-house sales force highly trained and spread throughout branches all across the country.
- Brokers: the distribution of corporate solutions through selective local or international brokers well established in the country.
- Other distribution channels: The Company also intends to explore new sales avenues such as online sales.

Shareholders as at 31st December 2009

Table (1)- Allianz Shareholders as at 31st December 2009

Shareholder	Percentage	Number of Shares	Value (SR)
Banque Saudi Fransi	32.5%	3,250,000	32,500,000
Allianz France International (previously known as AGF International) [(1)]	16.25%	1,625,000	16,250,000
Allianz MENA Holding Bermuda	16.25%	1,625,000	16,250,000
Mohammed Ali Aba Al Khail	2%	200,000	2,000,000
Omran Mohammed Al Omran	2%	200,000	2,000,000
Public	31%	3,100,000	31,000,000

Source: The Company

Summary Financial Performance and Indicators as of 31st December 2009

The following summary is based on the audited financial statements for the period from 1st January 2009 to 31st December 2009 and on the audited financial statements for the period 23/06/2007 through 31st December 2008 including the accompanying notes and it should be consequently read in conjunction with these notes.

Table (2)- Summary Financial Performance

Financial Position Statement

(In '000 SR)	As at 31/12/2009G	As at 31/12/2008G
Total insurance operations' assets	371,955	148,011
Total shareholders' operations assets	71,462	91,329
TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS	**443,418**	**239,340**
Total insurance operations' liabilities	371,955	148,011
Total shareholders' equity	42,774	65,887
Total shareholders' liabilities	28,688	25,441
SHAREHOLDERS' LIABILITIES AND EQUITY	**71,462**	**91,329**
TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' LIABILITIES & EQUITY	**443,418**	**239,340**

Results of Operations

(In '000 SR)	For the 12-month period ending on 31/12/2009G	For the period from 23/6/2007G to 31/12/2008G
STATEMENT OF INSURANCE OPERATIONS		
Total revenues	144,207	3,879
Total claims and expenses	(163,288)	(29,217)

(1):The name of AGF International has been changed abroad to Allianz France International. The Company is in the process of amending the constitutional documents with the competent authorities to reflect this change

Net deficit for the period from insurance operations	(19,082)	(25,338)
Net deficit transferred to statement of shareholders' operations	19,082	25,338
STATEMENT OF SHAREHOLDERS' OPERATIONS		
Total revenues	517	2,708
Total Expenses	(22,935)	(36,162)
Net loss for the period	**(22,418)**	**(33,453)**
Basic Loss per Share	**(2,24)**	**(3,35)**

Cash-Flow Statement

(In '000 SR)	For the 12-month period ending on 31/12/2009G	For the period from 23/6/2007G to 31/12/2008G
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS		
Net cash from operating activities	14,148	(15,837)
Net cash used in investing activities	(1,972)	(10,184)
Net cash from financing activities	-	29,944
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**16,100**	**3,923**
Shareholders Cash-Flow		
Net cash used in operating activities	(19,920)	(18,225)
Net cash used in investing activities	2,949	(14,888)
Net cash from financing activities	(6,048)	90,455
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**33,602**	**56,621**

Source: Company's Financial Statements

Result of the Period (Loss)

The Company is still in its early stages of development and is investing in the needed infrastructure, systems, procedures, and human resources. Therefore, the result of the 12-month period ending on 31st December 2009G is a loss amounting to SR (22,418) million, in comparison to SR (33,453) million for the period from 23rd June 2007G to 31st December 2008G. This loss is equivalent to a net loss per share of SR (2.24) in comparison to SR (3.35) for the corresponding periods.

The Company intends to invest strongly in the early years to develop the above channels of distribution with the aim of rapidly increasing its market position in Property & Casualty Business, Health Business as well as in Protection & Saving products. In addition, the Company is currently investing in its distribution network, IT systems and human resources; and accordingly only expects to start generating profits after its initial development stage, when the company will become fully operational, fully staffed and the sales force recruited and trained.

Shareholder's Equity

The Shareholder's Equity as of 31st December 2009 amounted to SR 42.8 million divided as follows:

- Share Capital: SR 100 million
- Net Accumulated Losses: SR (57.1) million
- Unrealized losses from investments available for sale: SR (142,000)

Summary of The Risk Factors

There are certain risks relating to the investment in the Rights Issue, including risks related to the Company's operations, the market and the regulatory environment and the risks related to the New Shares. These risks are set out in further detail in Section 2 ("Risk Factors") and should be considered carefully prior to making an investment decision in the Rights Issue.

Risks Related to the Company's operations

- Adequacy of Reserves
- Reinsurance Risk
- Dependence on Key Personnel
- Staff Misconduct
- Technology Risk
- Source of Funds
- Renewals of Existing Policies
- Unpredictable Natural Catastrophes (Force Majeure)
- Future Information
- Classification Risks
- The Ability to realize Investment Returns
- Litigation
- Unsuccessful Corporate Development And Expansion
- Saudization

Risks Related to the Market and Regulatory Environment

- Regulations
- License Withdrawal
- Risk Control Policies
- Competition
- Solvency Requirement
- Policy Approval
- Reporting Requirement
- Economic & Industry Conditions
- Healthcare Supply & Prices
- World Trading Organization (WTO)

Risks Related to the New Shares

- Dividend
- Expiry of the Prohibition Period

Table of Content

1. Definitions and abbreviations

The following sets out certain definitions and abbreviations used in this Prospectus.

Defined Term	Definition and Abbreviations
Admission	The admission of the Offer Shares to the Official List and to trading on the Exchange
Allianz Group	Allianz SE (previously known as Allianz AG) Koniginstrasse D-80802 MUNCHEN DEU Phone: 49-89-380000 Fax: 49-89-3800-3425 Corporate website: www.allianz.com
Applicant	Each Qualifying Shareholder subscribing for the Offer Shares pursuant to the terms and conditions of the Rights Issue
Auditor	The Company's auditors.
Authority or CMA	The Capital Market Authority of the KSA
Bancassurance Portfolio	The Insurance portfolio of Banque Saudi Fransi to be transferred to the Company after SAMA's approval.
Board or Board of Directors	The Board of Directors of the Company
Business Day	Any day in which the banks in Saudi Arabia are open for normal banking business
Bylaws	The Bylaws of the Company
CCHI	The Council of Cooperative Health Insurance established under the Cooperative Health Insurance Law promulgated under Royal Decree No. M/10 dated 1/5/1420 H. (August 13, 1999).
Companies Regulations	The Saudi Arabian Companies Law enacted by Royal Decree No. M/6 dated 22/3/1385 (H), as amended
Company	Saudi Fransi Cooperative Insurance Company
CSFL	Calyon Saudi Fransi Limited
EGM	The Extraordinary General Meeting resolving the capital increase for the purpose of the Rights Issue
End of subscription period	The closing date is 05/05/1431H (corresponding to 19/04/2010G)
Exchange or Tadawul	The Saudi Stock Exchange including where the context permits any committee, sub-committee, employee, officer, servant or agent to whom any function of the Exchange may for the time being be delegated, and "on the Exchange" means any activity taking place through or by the facilities provided by the Exchange. Pending the establishment of the Exchange, any reference to the Exchange shall be construed as a reference to "Tadawul".
Existing Share(s)	The existing ordinary shares in the Company
Financial Advisors	CSFL
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
Government	Government of the KSA
IPO	The initial public offer completed by the Company in 17th March, 2007, pursuant to which the Company offered 31% of its share capital to the public.
InSaudi Portfolio	The insurance portfolio previously booked by Insaudi and transferred to the Company with effect from 1st January 2009.

Insurance	Mechanism of contractually shifting burdens of pure risk from the insured to the insurer, and compensate those who have been caused any damage or loss by the insurer.
Insurance Policy	Legal document/contract issued to the insured by the insurer setting out the terms of the contract to indemnify the insured for losses and damages covered by the policy against a premium paid by the insured.
Insurance Regulations	The Insurance Law, its implementing regulations and amendments.
Implementing Regulations	Implementing Regulations of the Saudi Cooperative Insurance Law promulgated by Royal Decree No. (M/32) dated 2/6/1424H (corresponding to 31/7/2003G).
KSA or Saudi or Saudi Arabia	The Kingdom of Saudi Arabia
Lead Manager	Calyon Saudi Fransi Limited
Management	The management of the Company
Net Proceeds	The proceeds of the offering, after deducting the offering expenses
New Shares	The new ordinary shares being offered under the Rights Issue
Offering	The offer, by way of rights, by the Company of 10,000,000 ordinary shares to Qualifying Shareholders at an issue price of SR 12.5 per Offer share.
Offering Period	The period starting from 25/04/1431H (corresponding to 10/04/2010 G) for a period of up to 10 days up to and including 05/05/1431H (corresponding to 19/04/2010G)
Offer Price	SR 12.5 per Offer Share
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Person	A natural or legal person
Prospectus	This prospectus dated 20/4/1431H (corresponding to 5/4/2010G) relating to the Rights Issue offering of up to 10,000,000 New Shares at an Issue Price of SR 12.5 per share
Qualifying Shareholders	Shareholders on the register of members of the Company at the Record Date
Receiving Banks	Banque Saudi Fransi, Riyadh Bank, SABB, Samba Financial Group and the National Commercial Bank (NCB)
Record Date	The end of the trading day convening the EGM, being 18/4/1431H (corresponding to 3/4/2010G)
Regulations	The Saudi Cooperative Insurance Law promulgated by Royal Decree No. (M/32) dated 2/6/1424H (corresponding to 31/7/2003G) and its Implementing Regulations.
Rights Issue	The proposed issue by way of rights to Qualifying Shareholders on the basis of one Share for every Existing Shares held, up to 10,000,000 New Shares at an Issue Price of SR 12.5 per share on the terms of, and subject to, the conditions set out in this Prospectus
SAMA	The Saudi Arabian Monetary Agency
SR/SAR	Saudi Arabian Riyal
Shareholders	Current shareholders of the Company
Subscription Application Form	The subscription application form pursuant to which Qualifying Shareholders will subscribe for New Shares
Shares	Existing Shares of the Company
Tadawul	Automated system for trading of Saudi shares
Underwriter	CSFL
Underwriting Agreement	The underwriting agreement to be entered into between the Company and the Underwriter in connection with the Offering

2. Risk Factors

In addition to the information contained in this Prospectus, prospective investors should carefully consider all the risk factors described below before deciding whether or not to invest in the New Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to or considered immaterial by the Company, which may preclude its operations.

The Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected by any of the following risks which the management currently believes to be material, or by any other risks that the management has not identified or that it currently considers not material. The occurrence of any of these risks could cause the value of the New Shares to materially decrease and prospective investors may lose all or part of their investment. A number of factors outside the control of the Company may impact on its performance including local and international stock market conditions. Prospective investors should recognize that the price of Shares may fall as well as rise. This Prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Company, described below and elsewhere in this Prospectus.

2.1. Risks Related to the Company's Operations

Adequacy of Reserves

The success of the Company depends upon the management's ability to accurately assess the risks associated with the businesses that the Company insures. The Company is expected to establish reserves as balance sheet liabilities. These reserves are expected to represent estimates of amounts required to cover reported losses and unreported losses and to cover the related loss adjustment expenses. Loss reserves do not represent an exact calculation of liability. Rather, loss reserves are estimates of the ultimate settlement and administration of claims. These estimates are based upon actuarial and statistical projections and on the Company's assessment based on currently available data, as well as estimates of future trends in claims severity and frequency and other factors. Loss reserve estimates are continually refined. Establishing an appropriate level of loss reserves is an inherently uncertain process.

Due to the complexity involved in the exact calculation of reserve liability, coupled with insufficient data on the insurance sector in Saudi Arabia, it is likely that the estimate reserves calculations will not match actual claims and may be estimated incorrectly. As a result, it is possible that the Company's reserves at any given time will be inadequate. If actual claims exceed the Company's reserve for losses and loss expenses, the Company may be required to increase its reserves. This may result in additional expenses and costs and accordingly will decrease the net income and hence, the financial condition and results of the Company's operations.

The statutory reserve as well as cash and cash equivalents represented together SR 59.8 million as of December 31, 2009, and also together, represented 13.48% of the total assets of the Company, which means that the Company has established adequate reserves to face the risks involved in the activities that it insures. (Please see section 7.7 "Balance Sheet").

Reinsurance Risk

The Implementing Regulations require insurance companies to retain 30% of their total insurance premiums and reinsure at least 30% of their total premiums within the Kingdom. The availability, amount and cost of reinsurance are subject to prevailing market conditions that are beyond the Company's control. Fluctuations in the reinsurance market may cause such cost to increase which may adversely affect the Company's profitability. Furthermore, failure by a reinsurer to meet its obligations could significantly increase the Company's exposure which, in turn, could have a material adverse effect on the Company's financial performance, its client relationships and profitability.

If the Company is unable to maintain or replace reinsurance arrangements, either exposure would increase or, if the Company was unwilling to bear such increase in exposures, the Company would be required to reduce the level of its underwriting commitments. Furthermore, the Company is subject to credit risk with respect to its reinsurers, as the ceding of risk to reinsurer does not relieve it of its primary liability to its insured.

Dependence of Key Personnel

The success of the Company depends upon its ability to attract and retain qualified employees and upon the ability of senior management and other key employees to fully implement its formulated business strategy. The loss of the services of members of the senior management team or the inability to attract and retain other talented personnel could impede the implementation of the Company's business strategy, which could have a material adverse effect on the business of the Company.

Staff Misconduct

Notwithstanding the establishment of internal controls and procedures governing staff misconduct, the Company cannot guarantee the non occurrence of staff misconduct incidents. Any such misconduct by staff may cause the Company to be in breach of applicable laws, regulations or rules and may attract disciplinary penalties and financial liabilities and/or reputation damages. Such misconduct might occur in any line of the business conducted by the Company and could include:

- committing the Company to transactions in excess of established limits;
- misuses of information or divulgence of confidential information;
- recommending inappropriate products/ services;
- involvement in disseminating misleading or fraudulent information or other improper information during distribution or sale of policies to customers; or
- Non compliance with the rules in force or internal controls and procedures in place.

The occurrence of any misconduct by staff of the type described above will have a material adverse effect on the business of the Company.

Technology Risk

The business and future prospects of the Company will be dependant on the ability of the technology system to process a large number of transactions in a timely and uninterrupted manner. Even though the Company has built systems and established processes to mitigate systems failure, there is still a possibility of a partial or complete breakdown of the information technology or communications systems. Any suspension in use of the Company's technology system would prevent the Company from automating its underwriting, policy issuance and claims administration. There can be no assurance that the Company's business activities would not be materially impacted in the event of a partial or complete breakdown of any of the main information technology or communications systems. This could be triggered by software bugs, computer virus attacks or conversion errors due to system upgrading, or loss of the license under which any key technology is used. The Company would need to resort to manually processing its policies and claims which could lead to less efficiency and to the possibility of a decrease in premium volume. In addition, a prolonged breakdown of the information technology system could result in the loss of existing or potential business relationships or could adversely affect the Company's profitability and future prospects.

Source of Funds

The future capital requirements of the Company depend on many factors, including its ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. The Company may need to raise additional funds through financings or curtail its growth and reduce its assets. Any equity or debt financing, if available at all, may be on terms that are not favorable to the Company. In the case of equity financings, Shareholders' equity could be diluted. If the Company cannot obtain adequate capital, its business, results of operations and financial condition could be adversely affected.

Renewals of Existing Policies

The Company's insurance policies will generally be for a term of 12 months. If actual renewals of the Company's existing contracts with policyholders or the Company's future contracts with policyholders do not meet expectations, the Company's premiums written in future years and its future results of operations could be materially adversely affected.

Un predictable Natural Catastrophes (Force Majeure)

The Company may be vulnerable to losses from catastrophes. Catastrophes can be caused by various natural and unnatural events, the incidence and severity of which are inherently unpredictable. As it is hard to predict such incidents, the assessments become overestimated, although the Company is going to partially protect itself from such incidents through comprehensive reinsurance coverage plans. However, during the period of planning, the Company is still subject to such unforeseen incidents. The extent of losses from catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Catastrophes can cause losses in a variety of property and casualty lines. Claims related to catastrophes could cause substantial volatility in the Company's financial results for any fiscal quarter or year and severe catastrophic events could have a material adverse effect on the Company's financial condition and results of operations.

Future Information

Some of the data included in this Prospectus relates to future information but does not guarantee future performance. Such future data includes known and unknown risks and other factors that may affect the actual results and consequently the Company's performance and accomplishments. There are many factors that affect the actual performance, accomplishments or results realized by the Company, making them significantly different from explicit or implied expectation of the data mentioned. If one or more of such unexpected risks occur, or it is confirmed that these assumptions are inaccurate and not correct, the actual results may be significantly different from those shown in the prospectus.

Classification Risks

International rating agencies such as "Standard & Poor's" rate insurance and financial companies on a regular basis, with respect to the strength of their financial condition, and in the process might put forth some of the future forecasts. Such ratings are not ratings for shares or a recommendation to invest in any of the companies being rated. However, the customer's confidence in the Company may be affected according to the change in this rating. There is no assurance that the Company will realize or maintain a high rating with regards to the strength of its financial condition. A downgrade in or withdrawal of the Company's financial strength rating or a significant reduction in its solvency margin ratio could have an adverse effect on the Company's business because such an event may, among other things:

- damage the relationship with creditors, counter parties and the distributors of products;
- increase in the number of policy cancellation and refunds; and
- negatively impact new sales of products.

The Ability to realize Investment Returns

Performance of insurance companies depends to a certain extent on the performance of their investment portfolios. The investment results may be subject to a combination of investment risks such as risks related to the macro economical conditions, fluctuation of market, fluctuation of interest rates, liquidity and credit risks, and failure to pay loans. If the Company is unable to synchronize its investment portfolio and liabilities, it may be forced at times to liquidate its investments at unfavorable rates, and that may adversely impact the Company's financial conditions and results of operation. The investment portfolio is also subject to regulatory restrictions and unavailability of certain financial products, such as financial derivatives, which may reduce the diversification of asset classes leading to reduction in returns on investment. The management of such investments needs an effective management system and a high degree of capability to select good quality and variety of investments. If the Company is unable to diversify these investments, the Company's profitability and financial performance may be impacted.

The company diversifies its investment portfolio, and has recently withdrawn from two investment funds to reinvest them partially in Sukuks.

Litigation

In the ordinary course of its business, the Company has been named as defendant in connection with disputes over coverage or claims adjudication. These claims and conflicts may materially affect the Company's reputation and financial standing. The Company cannot predict the results of any action, investigation and lawsuit upon its occurrence. The Company cannot also guarantee that such action, investigation, audit, litigation, or change in the policies and operational practices will not adversely and significantly affect the Company's results and financial conditions.

The Company is not currently engaged in any legal actions or claims that may have a material adverse effect on its activities or financial position (see section 10.8- "Claims").

Unsuccessful Corporate Development and Expansion

The Company's corporate development strategy is, among other lines of business, to establish and grow the medical insurance business in Saudi Arabia. The Company's ability to carry out this strategy is closely related to the quality of its management, and will be subject to a number of factors beyond the Company's control, including changes in the regulations, and competitors' activities. There can be no assurance that the Company will be successful in establishing or growing its medical insurance business, or that such strategy will be profitable.

Saudization

The Company pursues a Saudization policy in an attempt to ensure full compliance with the applicable Saudization regulations. As the Company employs more than 320 employees, it is required, pursuant to a circular issued by the Ministry of Labor on 1/6/1423H, to ensure that at least 50% of its workforce is comprised of Saudi nationals within two years from Company's incorporation. Saudization represented 63% of the total number of employees as at 31st December 2009G.

The failure by the Company to meet the Saudization requirements can be sanctioned by all or some of the following penalties:

- the suspension of the employer's applications for work visas;
- the suspension of the employer's applications to transfer the sponsorship of an employee or potential employee;
- exclusion from application for Saudi Government tenders; or
- denial of Saudi Government loans.

The occurrence of any of the above events could have an adverse effect on the Company's business prospects.

2.2. Risks Related to the Market and Regulatory Environment

Regulations

The Company's insurance operations are regulated by SAMA and are subject to laws regulating all aspects of insurance business, including the Regulations and the Implementing Regulations. Insurance Regulations relate to authorized lines of business, capital and surplus requirements, types and amounts of investments, underwriting limitations, trade practices, policy forms, claims practices, reserve adequacy and a variety of other financial and non-financial components of an insurance company's business.

The Regulations governing the insurance sector may change from time to time by the regulatory bodies, including SAMA, which may limit the Company's ability to respond to changes in the market and may require the Company to incur additional costs in order to comply with such regulations. The requirements to adhere to changes could have a material adverse effect on the business, financial conditions and/or operating results. If the Company does not comply with these regulations, it may be subject to penalties, including fines, suspensions and withdrawal of the Company's license to conduct insurance business.

License Withdrawal

The incorporation of the Company has been approved based on specific requirements that the Company may have already satisfied or may have to fulfill in the future. SAMA's regulations provide that SAMA has the right to withdraw the Company's license in the following cases:

- No business activities for a period of six months from the issuance date of the license;
- Non compliance with the Regulations or the Implementing Regulations;
- If SAMA found that the founders intentionally provided it with false information and inaccurate data;
- If SAMA found that the rights of policyholders, beneficiaries and stockholders are subject to loss due to the manner of conducting its business;
- Insolvency making it insufficient for carrying on its business;
- If the Company fraudulently conducted its business;
- If the paid up capital falls below the prescribed minimum limit or failure to fulfill the provisions of this minimum;
- If the business or volume of activities falls to a limit that SAMA finds unviable to operate under;
- Refusal or delay of payments due to beneficiaries, without a just cause;
- Refusal to be examined or to produce its accounts, records, or files for examination by SAMA; or
- Failure to implement a final judgment against the Company related to any of its insurance disputes.

The Company intends to comply with all applicable laws and regulations issued by SAMA and any other regulatory authorities overseeing the Company's activities. However, the Company's failure to fulfill these requirements, even unintentionally, may lead to withdrawal of license and transfer of Company's policyholders to another licensed entity chosen by the beneficiaries after obtaining SAMA's written approval.

Risk Control Policies

With respect to any instructions and directives issued by SAMA, the Company will utilize all necessary means for management of risks related to its business. In this regard, the Company depends on its own capabilities as well as on external information available on the Saudi insurance sector to forecast future risks. Such forecasts or information may be inaccurate, incomplete or not up-to-date, and may not have been properly evaluated due to limited information available on the Saudi market. Therefore, the policies developed to manage and control risks may get out of date, and as a result, the Company may be subject to various other risks.

Solvency Requirement

As per SAMA's regulations, insurers have to maintain a minimum solvency level. The Company's solvency level is affected primarily by the technical reserve that it is required to maintain, which in turn is affected by the volume of insurance policies sold and by regulations on the determination of statutory reserves. It is also affected by a number of other factors, including the profit margin of products, return on investments, and underwriting and acquisition costs. If the Company continues to grow rapidly, or the required solvency level is increased in the future, it may be necessary for the Company to raise additional capital to meet solvency requirements, which could be dilutive. If the Company is unable to raise additional capital, it may be forced to reduce the growth of its business operations and may not be able to declare dividends. Through this capital increase, the Company is primarily aiming to meet the minimum solvency margin requirements provided for under the Implementing Regulations of the Saudi Cooperative Insurance Law in its Articles 48, 66 and 67 which is relevant to insurance companies offering non life insurance, medical insurance and life insurance (see section 6: "Use of Proceeds").

Policy Approval

The Company must successfully receive approval to all its policies from SAMA in order to issue them in the Kingdom. For some of the products offered, the Company has only received temporary approvals from SAMA. Any regulatory delays in the approval process could lead to a significant delay in the Company's ability to generate substantial amounts of revenue.

Reporting Requirements

The Company must comply with the reporting requirements of regulatory bodies including SAMA, the CMA and the CCHI. For example, the Company is required to periodically file financial statements and annual reports, prepared on a statutory accounting basis used in the Kingdom, and other information with SAMA, including information concerning the Company's general business operations, capital structure, ownership and financial condition. The Company could be subject to regulatory actions, sanctions and fines if SAMA, the CMA or the CCHI believed that the Company had failed to comply with any applicable law or regulation. Such failure, if it materialized, could negatively impact the Company's ability to do business and may adversely affect the Company's results.

Competition

As of end of February 2010, 28 insurance companies are listed in the Saudi Stock Market and 3 insurance companies have obtained the approval from the Council of Ministers authorizing their establishment.

The Company's competitive position will be based on many factors, including its perceived financial strength, geographic scope of business, client relationships, premiums charged, policy terms and conditions, products and services offered including the ability to design customized programs, speed of claims payment, reputation, experience and qualifications of employees and local presence. Any increase in competition could result in lower premium rates and less favorable policy terms and conditions, which would have a material adverse impact on the Company's growth, profitability, and market share.

Economic and Industry Conditions

Due to the large contribution of the oil sector in the country's GDP, any fluctuation in the oil prices would have a direct impact on the government financing, which would trickle down, to various extents, to all sectors of the economy, including the insurance sector. The Company's performance depends on global economic conditions that affect the economy of the Kingdom. Changes in economic conditions can affect the financial results of the Company through their effect on market conditions and investment income, and through changes in consumer demand for the Company's products and services. The Company cannot predict the impact that future economic and industry conditions will have on its business.

Healthcare Supply & Prices

The Company is and will be in future a party to several contracts with health care providers for the provision of health care services to its policyholders. As a result, any delay or interruption in or change to the terms of the ongoing contracts with health care providers such as price changes or limitations to patient treatment may adversely affect the Company's business, results of operations and cash flows.

World Trading Organization (WTO)

In December 2005 Saudi Arabia gained accession to the WTO. This development has already brought about significant changes in market access rules, import and export regulations, and other administrative regulations, including a number of changes affecting the insurance market. Being a member of the WTO means that the Kingdom will have to comply with WTO's regulations, which includes opening up of various sectors to international companies. Therefore, it is widely expected that the insurance sector will face significant competition from international insurance companies. In order to gain and maintain a reasonable share of the market that the company is operating in, the Company will have to effectively attract new customers by depending on its marketing campaigns and provision of distinctive services to its customers. This may result in the Company having high costs of operations, which may adversely affect the overall profitability of the Company

2.3. Risks Associated with the New Shares

Potential Fluctuations In Share's Prices

The company's share price may not be stable and could be significantly affected by fluctuations resulting from several factors including, without limitation, market conditions for equity, any regulatory changes in this sector, deterioration in company's performance, inability to implement future plans, entry of new competitors and speculations on the Company's operations. No guarantee can be given with respect to an increase in the value of shares once they are listed in the stock market.

Dividend

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company and general economic conditions and other factors that the Directors of the Company deem significant from time to time. Although it is the Company's intention to pay annual dividends to its Shareholders, the Company does not guarantee that dividends will be actually paid in any given year. Payment of dividends by the Company is subject to certain restrictions mentioned in the Company's Bylaws and the relevant regulations.

Effective Control By The Founding Shareholders

Shareholders who own a large number of the Company's Shares may collectively request the control of aspects that require shareholders' approval including mergers and acquisitions, sale of assets, and election of Board members. They may also prevent or cause any change in the Company, issue or not issue additional shares. Accordingly, the founding shareholders can exercise their control in a way that impacts on the Company's performance, financial situation and results of operations.

Expiry of The Prohibition Period

The founding shareholders were restricted from selling their Shares in the Company for a period of 3 full fiscal years, each consisting of not less than 12 months ('Restriction Period"). This restriction will expire within three fiscal years from listing Company's shares in Tadawul. Sales of substantial amounts of the Shares by the selling shareholders, or the perception that these sales may occur, could adversely affect the market price of the Shares.

3. Market Overview

The information regarding the insurance industry and other data regarding the market segment in this Prospectus has been obtained from different sources. Such information, sources, and estimates are believed to be reliable, and the Company has made a reasonable effort to verify the sources. While neither Calyon Saudi Fransi Limited nor the Company's advisors have any reason to believe that the information on the insurance industry and other data regarding the market segment are materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. These sources mainly include the following public reports:

- Saudi Arabian Monetary Authority (www.sama.gov.sa) (2)
- Ministry of Finance and National Economy (www.mof.gov.sa) (3)
- AXCO Insurance Information Services dated (April 2009) (4)
- Credit Agricole Cheuvreux

- SAMA plays an important role in the consolidation and development of the Saudi financial system. One of SAMA first tasks was the establishment and creation of a Saudi currency. SAMA also paid "special" attention to the need to encourage the growth of a national banking system. The main priority of the institution as of the mid-eighties was the reform of the financial market. SAMA's responsibilities grew over the years with the development and growth of the economy and the expansion of the financial system and included, in addition to issuing the national currency and acting as government bank, the control of commercial banks, the management of the KSA foreign currencies reserve, the management of a monetary policy to maintain price stability and exchange rates, the control of commercial banks and the supervision of insurance companies.

- On 11/4/1351H., Royal Decree No.381 was issued, changing the name of the Public Finance Agency to the Finance Ministry. The Finance Ministry became responsible for the organization, maintenance and collection of the government's finances and ensuring revenues and expenses, thus becoming the final authority for all financial matters in the Kingdom of Hijaz, Najd and its dependencies. On 6/1/1374 H, Royal Decree No.31 was issued to merge the Ministry of Economy and the Finance Ministry into one ministry under the name of the Ministry of Finance and National Economy. Its new responsibilities included: overseeing the Kingdom's financial and monetary policies and monitor the implementation thereof by competent agencies; preparing the Kingdom's general budget, discuss it with other government agencies, and monitor the implementation thereof; supervising and maintaining Kingdom's property; following up financial and economic information at the international level; preparing the necessary studies and reports related therewith; following up the implementation of the Kingdom's policy to granting loans to Saudi citizens and national companies in different development areas through the commercial banks and the specialized credit institutions, such as the Saudi Arabian Agricultural Bank, the Saudi Credit Bank, the Saudi Industrial Development Fund, the Real Estate Development Fund, and the Public Investment Fund.

- Axco is the leading independent supplier of global insurance market information, relied upon by insurers, reinsurers, brokers and benefits professionals. Industry leaders turn to Axco for information they can rely on in making strategic decisions in key areas such as market entry, risk management, compliance and multinational programme construction etc.

- CA Cheuvreux, a wholly owned subsidiary of Calyon, is a full-service broker that provides customized research, sales and execution services to a diversified international client base across 60 execution venues in Europe, North America, Middle East and South Africa. CA Cheuvreux offers privileged knowledge of local markets through its 15 offices worldwide.

No statement was submitted by any expert.

3.1. Saudi Economic Overview

Saudi Arabia, primarily an oil-based economy, is the largest in the Middle East and accounts for more than 50% of the GCC's nominal GDP and 2/3rds of the population. Spread over an area of 2.3 million square miles with oil reserves estimated at 265 billion barrels, Saudi Arabia is the largest producer and exporter of oil in the world. Its gas reserves are

(2) Saudi insurance market survey by SAMA in 2008, including a list of insurance companies and self-employed companies

(3) AXCO's report from which some information provided in the Market Overview section is extracted, is a public information.

(4) Credit Agricole Cheuvreux's report from which some information provided in the Market Overview section is extracted, is a public information.

estimated at 220 trillion cubic feet, the fourth largest behind Russia, Iran and Qatar. Oil and related products account for 45% of Saudi Arabia's GDP, representing more than 90% of Saudi Arabia's total exports and approximately 87% of government's revenues.

Table (3)- Saudi Arabia Key Economic Data

Saudi Arabia Key Economic Data	2006	2007	2008
Real GDP (% Change)	3,2	3,4	4,5
Nominal GDP (US $ Billion)	353,7	378,8	461,8
Nominal GDP (% Change)	13,0	7,1	21,9
Consumer Prices (% Change)	2,4	4,0	9,9
Crude Oil Production (MBD)	9,2	8,7	9,2
Oil Exports (US $ Billion)	187,7	205,5	281,4
Current Account Balance (US $ Billion)	98,4	94,4	134,9
External Debt (US $ Billion)	40,8	72,6	79,0
Fiscal Balance (SAR Billion)	281,0	176,6	590,0
Arab Light Crude Oil ($/Barrel)	61,1	68,8	95,0

Source: SAMA

On the back of the oil and economic boom, the Saudi economy has enjoyed significant growth at a CAGR of 3.9% over the last 10 years. Real GDP growth rate in 2008 was 4.5%, significantly higher than the 3.4% experienced in 2007 and the highest since 2005. With a population base of 28 million and growing at a rate of approximately 2%, Saudi Arabia is one of the few countries that, at a time when the rest of the world was experiencing one of the worst recessions in recent history, actually overcame the financial crisis and even experienced a positive real GDP growth rate in 2009.

The Kingdom of Saudi Arabia has been consistently moving down the path of economic, political, and social reform with policy decisions made earlier coming to fruition now, setting the stage for more stable economic growth and enabling Saudi Arabia to capitalize on its potential. Policy decisions, coupled with a massive infrastructure agenda, have positioned Saudi Arabia for a bright economic future.

In spite of oil revenues falling significantly from their peak of SR 550 billion in July 2008, to a current level of approximately US$70 billion, the Saudi economy has faired significantly better than those of the developed countries. The Saudi financial system was never overly dependent on the global financial markets and this has prevented the Saudi economy from a free fall that was seen in many developed countries. The government has recently announced the budget for the fiscal year 2010 which has specifically targeted the private sector with a boost in government spending. Under this budget, the government has sharply increased its capital expenditure focusing mainly on education, infrastructure and healthcare. This increase in the budgeted spending reaffirms the government's commitment to proceed with its investment program and reflects the strength of the government's finances which in turn has provided a boost to the private sector and the stock market. Saudi Arabia experienced a record budget surplus of SAR 590 Billion in 2008 which is expected to help the economy to comfortably absorb the deficit for 2009 and the projected deficit for 2010.

Diversification

Over the past few years, Saudi Arabia has made concerted efforts to diversify its economy away from oil and related products. Industries from mining and minerals to petrochemicals and automotive were aggressively promoted by the government in order to create employment opportunities for its young and growing population across different areas of economy. Industrial sectors such as steel, aluminum and cement have undergone significant expansion in a bid to meet demand from the domestic and the wider GCC market. Construction is one of the largest non-oil sectors in Saudi Arabia and has grown rapidly on the back of the recent oil prices which led to an increase in government and private sector contracting. Going forward, the construction sector is estimated to grow with mega projects under development estimated at billions of US$. The changing skylines along Jeddah's corniche and in Riyadh are witnessing acceleration in turn giving a further boost to the construction activity.

Manufacturing is another sector that has grown rapidly over the past few years and has attracted considerable private sector investment both by domestic and international investors. Sabic and Aramco, the two largest industrial companies in Saudi Arabia, have launched several large scale projects in conjunction with local and foreign partners which will amplify the manufacturing base in Saudi Arabia.

Reformed Business Environment

The Kingdom of Saudi Arabia has been undergoing a gradual process of reform since 2000. The result has been a business environment that has greatly improved and resulted in increased FDI flows, enhancing Saudi's development agenda. Much of the reform has come about due to the country's accession into the WTO, requiring Saudi Arabia to open up many of its protected industries to foreign competition and ownership. Following is a brief time line delineating the salient reforms in Saudi Arabia:

Table (4) – Reform Timeline

Reform Timeline		
2000	Foreign Investment Law	Foreigners are allowed to own real estate upon fulfilling certain conditions.
2002	Privatization Strategy	Approval for the privatization of select public entities including railways, utilities, and Delco services.
2002	GCC Banks Enter KSA market	Leading up the accession into the WTO, three GCC banks are permitted to begin operating in the Kingdom.
2003	GCC Customs Union	A rate of 5% for all imports is set, with goods able to move freely throughout the GCC without further payment.
2003	Industries Open to Foreigners	Foreign investors are allowed to invest in energy distribution pipeline transport, and education.
2005	Accession into the WTO	The key for Saudi was enabling its petrochemical producers to continue receiving cheap feedstock.
2006	Foreigners Buy Equities	For the first time, foreign residents in are allowed to acquire Saudi stocks.
2007	GCC Residents to Buy Equities	Residents of the GCC are now allowed to buy equities in the Kingdom. Not all sectors are open for investment.
2008	Foreign SWAPs	Foreigners are allowed to buy Saudi stocks through SWAP agreements

Source: Credit Agricole Chevreux (Strategic Issues Report March 2009

Today, the World Bank in its "Ease of Doing Business" report issued in January 2010 and covering the period fom June 2008 to May 2009 rates the Kingdom of Saudi Arabia as one of the top 15 most business friendly countries among 183 other countries and as the best of any Middle East states. According to this report, Saudi Arabia ranks even ahead of mature economies such as Japan, France, Germany and Austria. Saudi Arabia has demonstrated notable improvements in the rankings over the last 6 years, leaping from the 67th position in 2004, to the 15th position in 2009 in the top 15.

More recently the government has liberalized various sectors of the economy. Most notably amongst them are the telecom and financial services which are expected to increase the competition and enhance the quality of products and services being provided. Aviation is another sector that has benefited from the recent liberalization with two low cost regional carriers competing with the only national carrier, Saudi Arabian airlines.

The government also intends to carry out economic policy reforms drafting and implementing corporate and contract laws and setting up of commercial courts and beefing up corporate governance standards.

Future Outlook

Saudi Arabia's economic recovery across 2010 is likely to follow a gradual but steady track. With oil prices ranging between US$ 70-80 a barrel and key global economies beginning to return to growth, Saudi Arabia, a seminal oil and petrochemical products exporter is likely to benefit from the improvement in global economic conditions. While oil remains the corner stone of the Saudi economy, it is imperative to note that the Saudi non-hydrocarbon component is still the largest in the Gulf experiencing growth rates of 5.1%, 4.7% and 4.3% in 2006, 2007 and 2008, respectively.

Real GDP growth for the Saudi Economy is expected to be 3.9% in 2010 including a 4.1% rise in real oil GDP activity. The government sector, which accounts for slightly more than 20% of the GDP, is expected to grow by 4.1% in 2010 as the government has pledged to keep spending at historically high levels through out the current five-year plan (2009-2013), including investment commitments of USD 400 Billion in building infrastructure and oil and gas output expansion.

On the back of increased government spending and due to an increasing willingness of the private sector to undertake various investments in the local market, the private sector is expected to grow at 3.7% during 2010. However the overall growth of this sector is linked to the appetite of local banks to extend credit to the private sector, which was significantly reduced last year due to the sentimental impact of the global credit crunch.

3.2. Saudi Arabian Insurance Market

The Saudi Arabian insurance market is expected to experience significant growth in the coming times. The government's initiatives on compulsory healthcare and motor insurance are expected to stimulate future growth in the insurance market despite the regional economic slowdown. Saudi Arabia's insurance penetration level as a percentage of Gross Domestic Product (GDP) at below 1% is the lowest in the world. However, it is expected that a regulated environment built around the concept of the Islamicaly acceptable principle of cooperative insurance will lead to increased awareness among the people of Saudi Arabia of the benefits of insuring risk.

The Saudi Arabian insurance market is considered relatively new compared to the insurance markets in other developing countries. Notwithstanding this, liberalization of Saudi Arabia's insurance sector has occurred more rapidly than the banking sector, with 13 new insurance firms licensed in 2006 resulting in the end of the monopoly of the National Company for Co-operative Insurance (NCCI, now known as Tawuniya). The legislation which governs insurance market regulation and control is the Saudi Cooperative Insurance Law (the "Regulations"). The Regulations are generally considered to be customer friendly as they require the distribution of a minimum of 10% of an insurance company's net surplus to the policyholders in the form of either a direct refund or in the form of a reduction in premium for the following year.

Most of the new firms established according to the Regulations are joint ventures with foreign companies (i.e. mixed companies), a trend expected to increase the Foreign Direct Investment (FDI) in the domestic insurance sector. SAMA (Saudi Arabian Monetary Authority) is the sole regulator for all forms of insurance business in the Kingdom of Saudi Arabia. In addition to this, the cabinet announced in 2007 that it intended to lift restrictions imposed upon fellow states in the Gulf Cooperation Council (GCC) in respect of insurance, transport and real estate.

The following table briefly illustrates the evolution of the Insurance sector in Saudi Arabia:

Table (5) – Clarifications on the Evolution of the Saudi Insurance Sector:

Evolution of Saudi Insurance Sector	
1970's	The insurance industry grew as a result of the government development programme funded by the oil boom. All government imports and construction projects had to be insured, leading to an influx of insurance companies, underwriting agencies, foreign branches and brokers
1980's	Insurance companies, brokers and loss adjusters formed unofficial groupings, such as the Jeddah Insurance Training Committee, in each of the three main geographical areas
1986	The market changed dramatically when the Ulema (religious scholars) approved the principle of cooperative insurance on the basis that it is compliant with Islamic Shariah. The Saudi Arabia's first registered insurer, the National Company for Cooperative Insurance (NCCI), was thus established and required to operate on a co-operative basis.
1999	The Cooperative Health Insurance Law promulgated by Royal Decree No M/10 dated 01.05.1420H (Cooperative Health Insurance Law) was passed
2001	Draft rules for the implementation of the Cooperative Health Insurance Law were completed.
2003	Implementation of the Cooperative Health Insurance Law was postponed three times
2006	The first stage of implementation of the Cooperative Health Insurance Law took place in respect of businesses employing more than 500 expatriates
2007	In June new measures were taken to ensure that the remaining ALL expatriates have mandatory health insurance cover by linking this to the issuance of residence permits (iqamas)
2008	A market code of conduct was introduced

Source: *Insurance Market Repot on Saudi Arabia by Axco*

Saudi Arabia Insurance Companies

As of end of February 2010, 28 insurance companies are fully licensed to operate in the Kingdom of Saudi Arabia. In addition, 3 insurance companies had the approval from the Council of Ministers.

Table (6): Licensed insurance companies

Licensed Insurance Companies	
NCCI Insurance	The Mediterranean and Gulf Cooperative Insurance and Reinsurance
Malath Insurance	Malath Cooperative Insurance and Reinsurance Company
Al Ahli Takaful Company (ATC)	SABB Takaful
Arabian Shield Insurance Company	Saudi IAIC for Cooperative Insurance
Gulf Union Cooperative Insurance Company	Assurance Saudi Fransi
Sanad Cooperative Insurance and Reinsurance Company	Trade Union Cooperative Insurance Company
Arabia Insurance Cooperative Company	Saudi United Cooperative Insurance
BUPA Arabia for Cooperative Insurance	Saudi for Cooperative Reinsurance Company
Al Sagr Company for Cooperative Insurance	Saudi Indian Company for Cooperative Insurance
Allied Cooperative Insurance Group (ACIG)	United Cooperative Assurance UCA
Wiqaya Takaful Insurance and Reinsurance Company	Al Rajhi Cooperative Insurance
ACE Arabia Cooperative Insurance Company	AXA Cooperative Insurance Companies
Al Ahlia for Cooperative Insurance	Alalamiya for Cooperative Insurance
Buruj Cooperative Insurance Company	Gulf General Insurance Company

Source: SAMA and Tadawul

Table (7): Insurance companies approved to be established by the Council of Ministers

Insurance companies approved to be established by the Council of Ministers	
Solidarity Saudi Takaful Company (5)	Amana for Cooperative Insurance
Tokyo Marine Saudi Arabia	

Source: SAMA

Despite the global economic slowdown during 2008, the insurance market in Saudi Arabia has witnessed strong growth mainly on the back of compulsory insurance lines i.e. health and the motor insurance. Gross written premiums in 2008 reached SR 10.9 billion, up from SR 8.6 billion in 2007 representing a substantial growth of 27% year over year. As of today, 21 insurance companies are listed in the Saudi Stock market, 8 companies have been licensed and their offering through an IPO was accepted by the CMA.

Gross Written Premiums

The following chart illustrates the gross written insurance premiums (excluding re-insurance segment) over a four year period from 2005-2008:

(5) *The CMA has announced that the subscription in these companies has started, including the subscription in National Cooperative Insurance Company*

Table (8) - Gross Written Premiums (2005-2008)

Line of Business	2005 (SAR)	2006 (SAR)	2007 (SAR)	2008 (SAR)	% change (2007-2008)
Nonlife	155.3	189.9	216.5	222.5	2.8 %
Health Insurance	59.3	93.8	127.8	193.7	51.5 %
P&S	8.4	9.2	13.6	23.9	75.5 %
Total	223.0	292.9	357.9	440.1	23 %

Source: Saudi Insurance Market Survey Report 2008 by SAMA

Gross written premiums are revenues that an insurance firm receives over the life of an insurance contract.

During 2008, insurance gross written premiums represented 51% of the total insurance market, followed by health insurance which represents 44% of the total insurance market in 2008 with the remaining 5% market share attributable to protection and savings insurance.

Almost two thirds of total gross market premium income was written by the top eight insurance companies in 2008, a trend which has continued since 2006 with little variance. Although SAMA does not disclose the names of the companies on an individual basis, it is widely believed that out of the total 43 companies operating in 2008, Tawuniya (previously known as NCCI) was the largest single operator. Tawuniya's market share is expected to decline in the future, as well as licensed companies and branches of foreign companies enter the market. Nevertheless, because market premium volume is expected to increase substantially over coming years, most companies are expected to experience growth.

Table (9) - Gross Claims

BusinessTable 7: Gross Claims Paid by Line of Business (2005 to 2008)

Line of Business	2005		2006		2007		2008		% Change
	SR Million	%	SR Million	%	SR Million	%	SR Million	%	
A&L and Other	111.7	4%	169.8	6%	170.2	4%	92.0	2%	(45.9)%
Motor	882.0	35%	1010.5	33%	1,217.9	30%	1,492.4	29%	22.5%
Property/ Fire	217.7	9%	299.9	10%	283.0	7%	314.9	6%	11.3%
Marine	240.2	9%	154.9	5%	165.9	4%	195.1	4%	17.6%
Aviation	12.8	1%	18.5	1%	62.8	2%	11.5	0%	(81.7)%
Energy	1.2	0%	9.0	0%	6.2	0%	26.5	1%	331.3%
Engineering	78.1	3%	102.2	3%	219.2	5%	111.7	2%	(49.1)%
Total General Insurance	1,543.7	60%	1,764.9	58%	2,125.3	52%	2,244.1	43%	5.6%
Total Health Insurance	963.0	38%	1,240.4	41%	1,897.9	47%	2,839.2	54%	49.6%
Total P&S Insurance	44.9	2%	34.9	1%	38.0	1%	140.3	3%	268.9%
Total	2,551.6	100%	3,040.2	100%	4,061.2	100%	5,223.6	100%	29%

Source: Saudi Insurance Market Survey Report 2008 by SAMA

Total gross claims paid in 2008 increased by 29% to SR 5.2 billion as compared to SR 4.1 billion in 2007 where as the cumulative growth in total gross claims paid between 2005 to 2008 was estimated at 24%. Health and motor insurance were the main contributors to this increase in gross payment of claims in 2008 and accounted for 54% and 29% respectively of the total claims paid.

Insurance Penetration

Insurance penetration in Saudi Arabia, (generally considered a good benchmark for determining a market's potential), is typically calculated as gross written premiums as a percentage of Gross Domestic Product (GDP). For the year 2008, insurance penetration in Saudi Arabia was 0.62%, the lowest in the world. Penetration of insurance products in Saudi Arabia is at considerably lower levels as compared to the rest of GCC. The following table presents insurance penetration across GCC for 2007:

Table (10) – Insurance Penetration in GCC Countries

	Life, Including Riders		Nonlife (P&C)		Personal Accident & Healthcare		Total	
	%	Per Capita	%	Per Capita	%	Per Capita	%	Per Capita
Saudi Arabia	0.02	3.53	0.36	56.05	0.21	33.09	0.59	92.67
Bahrain	0.41	88.18	1.57	336.63	n/a	n/a	1.98	424.81
Kuwait	0.14	50.84	0.40	146.19	0.06	23.44	0.60	220.47
Qatar	n/a	n/a	0.76	490.64	n/a	n/a	0.76	490.6
UAE	0.28	105.86	1.27	487.59	0.18	67.59	1.73	661.04

Source: Insurance Market Reprot on Saudi Arabia by Axco

(* 2006 Figures used)

The following chart depicts the trend in insurance penetration in Saudi Arabia over the last four years:

Table (11) – Insurance Penetration in Saudi Arabia (2005-2008)

Line of Business	2005 %	2006 %	2007 %	2008 %	% change (2007-2008)
Nonlife	0.30%	0.34%	0.37%	0.31%	(16.2)%
Health Insurance	0.12%	0.17%	0.22%	0.27%	22.7%
P&S	0.02%	0.02%	0.02%	0.03%	50%
Total	0.44%	0.53%	0.61%	0.62%	1.6%

Source: Saudi Insurance Market Survey Report 2008 by SAMA

The chart above shows that insurance penetration has grown by a CAGR of 13% between 2005 and 2008. Insurance penetration in the Saudi Arabian market grew only by 0.01% in 2008 which is significantly lower than the annual growth in insurance penetration over the previous years of 2005, 2006 and 2007. This is primarily due to the Saudi Arabian GDP growing rapidly in 2008, on the back of high oil prices in the global markets. The majority of the increase in the insurance penetration is driven by the general insurance (non-life) business which made up for almost 51% of the total gross written premiums in 2008.

Low insurance penetration in Saudi Arabia compares to an average penetration of more than 3% in developed countries which again is representative of the growth potential of the overall insurance market.

Distribution Channels

Most insurance companies in Saudi Arabia derive the majority of their business from their sponsors and shareholders. Brokers are active in the corporate client market especially those involving major industrial and commercial businesses. The market share of the major brokers such as Marsh and Aon is believed to be increasing in line with the overall growth of the domestic market.

In many cases banks have links with insurance companies and whilst they have not developed specific insurance schemes, they have influenced the placement of insurance through referrals. Some of the new insurance companies have major banks as leading shareholders, and these companies are beginning to use the related bank's distribution network to market insurance products.

Distribution systems, which have remained traditional for many years, are beginning to evolve in line with the major changes taking place in the market as a result of the Regulations. Bancassurance in particular seems likely to become a leading channel of distribution development in the future.

Direct marketing, another prominent channel for distribution of insurance products, which is hampered by the difficulties in accurate postal delivery and widespread internet selling of related insurance products is still probably several years away from any major development, with companies selling small personal insurance policies on the internet.

3.3. Saudi Insurance Sectors

The Saudi Arabian insurance market can be classified into the following categories:

- Non-Life Insurance Business/General Insurance
- Health Insurance Business
- Life Insurance Business/Protection and Savings Insurance
- Re-Insurance Business

Non-Life Insurance

Non-life insurance sector (also referred to as the General Insurance) is comprised of the following classes of insurance:

Table (12) – Non-Life Insurance

Class of Insurance	Description
Aviation	Includes insurance coverage for airline hulls and liability against passengers and 3rd parties, air freight transportation, etc.
Accident & Liability	Refers primarily to personal and work related insurance, general, 3rd party and professional liability insurance as well as insurance against burglary etc.
Engineering	Covers builders', construction, mechanical, electrical, electronic and machinery related risks etc.
Motor	Refers to provision of coverage against losses and liability related to motor vehicles (excluding transportation insurance)
Energy	Includes coverage for oil, petrochemical and other energy installations
Marine	Relates to coverage for goods in transit and the vehicles of transportation on waterways etc.
Property	Covers insurance policies relating to fire, theft, explosions, natural disasters, civil disturbance etc.

Growth in the non-life insurance sector has traditionally been driven by energy, engineering and motor insurance. Energy and engineering are promoted mainly by government investment in energy and infrastructure projects, which remained buoyant from 2005-2008.

Table (13) – Gross Written Premiums

Gross Written Premiums (Non-Life Business)					
SR Million	2005	2006	2007	2008	CAGR (2005-08)
Motor	1,587	1,920	2,440	2,542	17.0%
Property	644	769	742	798	7.4%
Engineering	296	544	480	682	32.0%
Marine	382	431	532	620	17.5%
Accident & Liability	424	580	577	531	7.8%
Energy	122	127	305	208	19.5%
Aviation	135	126	114	139	0.98%
Total	3,590	4,497	5,190	5,520	28.4%

Source: Saudi Insurance Market Survey Report 2008 by SAMA

The table above shows that the non-life insurance market has grown at a CAGR of 28.4% during the period from 2005-08 to reach SR 5,520 million in 2008 from SR 3,590 million in 2005 and makes up approximately 51% of the total gross premiums written in 2008. As mentioned above, the double digit growth in the non-life sector is attributed mainly to engineering insurance sector which has experienced a CAGR of 32.0% and energy insurance sector which grew at a CAGR of 19.5% during the four year period from 2005-08. These sectors have reported gross written premiums of SR 682 million (up from SR 296 million in 2005) and SR 208 million (up from 122 million in 2005), respectively in 2008.

Table (14) – Average Growth of Gross Written Premiums in the Non-Life Sector

Percentage (%)	2005	2006	2007	2008
Accident & Liability	12	13	11	10
Energy	3	3	6	4
Aviation	4	3	2	3
Motor	44	42	48	46
Property	18	17	14	14
Engineering	8	12	9	12
Marine	11	10	10	11
Total	100	100	100	100

Source: Saudi Insurance Market Survey Report 2008 by SAMA

Similarly motor insurance grew at a CAGR of 17.0% to reach SR 2,542 million in 2008 from SR 1,587 million in 2005. Motor insurance has grown rapidly since 2002, driven by the compulsory 3rd party motor insurance regulation that is required for obtaining a driving license. This legislation was introduced by Royal Decree No 222, in October 2001 and has been in effect from 20 November 2002. The original form of compulsory insurance, known as rukhsa, was based on the driving license holder, and was therefore applicable to any vehicle driven. However from 1st April 2007, through a decision by the cabinet, the requirement to purchase rukhsa was replaced with a requirement to buy conventional third party motor insurance based on the insured's vehicle.

Other sectors such as aviation, accident and liabilities, property and marine represent 19% of the total gross premiums written in 2008. Marine insurance sector, during the period 2005-08 has grown at a CAGR of 17.5% to reach SR 620 million in 2008 from SR 382 million in 2005. Property insurance sector, which makes up for 7% of the gross premiums written in 2008, grew at a CAGR of 7.4% during the same period to reach SR 798 million in 2008.

Health Insurance Business

Health insurance business in Saudi Arabia refers to the provision of individual or group insurance coverage for all medical costs and requirements as well as the management of different medical programs.

Table (15) – Average Growth of Health Insurance

Gross Written Premiums (Health Insurance Business)					
SR Million	2005	2006	2007	2008	CAGR (2005-08)
Health	1,370	2,222	3,065	4,805	51.93%

Source: Saudi Insurance Market Survey Report 2008 by SAMA

Healthcare insurance has expanded rapidly over the last 10 years, and was the largest single insurance class in 2006-2008 representing almost 44% of all gross premium income in the market during 2008. It was the largest contributor to total gross premiums written since 2006 when it contributed 32% and again in 2007 when its contribution was estimated at 36%. This sector has experienced a CAGR of 51.93% during the period from 2005-08 and has reached SR 4,805 million in 2008 as compared to SR 1,370 million in 2005.

This significant growth is primarily attributed to the mandatory health insurance requirement for all expatriates. Healthcare is available to all Saudis free of charge, but with the pressure exerted on the state healthcare system by a fast growing Saudi population, the government has introduced legislation requiring all expatriate workers (and their families, when they are resident in Saudi Arabia) to have a minimum level of health insurance. Expatriates do not have free access to state hospitals and clinics, except for foreign diplomats.

Compulsory healthcare insurance legislation targeted at expatriates was sponsored by the Ministry of Health which set up the Cooperative Health Insurance Council to regulate and supervise policy conditions and claims settlement compliance. Compliance with the Cooperative Health Insurance Law is the responsibility of the Cooperative Health Insurance Council and, supervision of insurers transacting medical expenses insurance is the responsibility of SAMA.

The Cooperative Health Insurance Council has published a minimum conditions policy in respect of compulsory medical expenses insurance for expatriates, and also issues separate licenses to insurance companies transacting medical expenses insurance.

The IT systems registering the existence of health insurance in individual cases and recording the issuance of Iqamas are linked, so that evidence of the issuance of an iqama and purchase of health insurance can be checked simultaneously. Any expatriate changing employer or sponsor, must have his Iqama reissued to reflect his health insurance, and is required to simultaneously produce evidence of the purchase of health insurance by the new sponsor. In view of the fact that the duration of an Iqama for an expatriate is a maximum of two years, it is anticipated that the vast majority of expatriates in Saudi Arabia should have been in compliance with the mandatory health insurance regulations by mid 2008.

Historically health insurance has been the most competitively rated class of business in the insurance market and strong competition is expected in the future. However, with increasing number of expatriates coming under the compulsory insurance regime (estimated to soon exceed seven million), standard group premium rates are expected to decrease. Growth in this class of insurance is expected to slow in proportion to expatriate population growth, now that implementation is almost final.

Most health care insurance policies sold to expatriates are on a group basis, and paid for by the employer or the sponsor, except in rare cases, where an individual expatriate has contracted with his employer to purchase his or her own insurance in conformity with the requirements of the Cooperative Health Insurance Law.

If the proposal to insure the Saudi work force in the private sector for medical expenses is ultimately adopted, however, the private medical expenses insurance market is likely to witness a significant increase over the coming years.

Life Insurance business

The life insurance business in Saudi Arabia (referred to as Protection and Savings Insurance) comprises the following two categories:

- Protection Insurance: provision of individual or group insurance coverage for death as well as permanent and partial disability.
- Savings Insurance: provision of individual or group coverage for savings or retirement plans against a premium paid by the insured. Typically, savings insurance is sold as a product bundled with various forms of protection insurance.

The Saudi Arabian life insurance market has always been comparatively small. Before the introduction of the Regulations, life insurance was generally considered to be unacceptable from the point of view of Shariah law. Previously, sales of local life insurance policies were largely limited to the expatriate population.

The introduction of the Regulations has radically changed this sector of the market by legitimizing insurance in general, and life insurance in particular.

The growth of a significant middle class in the country, with adequate disposable income and a growing inclination to purchase property and to protect their families from unforeseeable risks suggests that the potential market for life insurance products is relatively large. On the other hand, even in respect of the more common forms of non-life personal insurance protection, the Saudi population has traditionally been resistant to any personal insurance purchases and especially life insurance which has not traditionally been accepted in Saudi Arabian culture. It is expected, however, that the emergence of the local takaful market and other Shariah compatible forms of insurance is going to make personal insurance products generally more acceptable. The extent of such a change, however, is yet to be determined even though the life insurance market has experienced significant growth over the past couple of years but accounts only for a small percentage of the overall insurance market.

Table (16) – Gross Written Premiums (Life Insurance)

Gross Written Premiums (Life Insurance)					
SR Million	2005	2006	2007	2008	CAGR (2005-08)
Protection & Savings	193	218	327	594	45.5%

Source: Saudi Insurance Market Survey Report 2008 by SAMA

As the table above shows, the Saudi life market continued its dynamic growth in 2007 and 2008 and has grown at a CAGR of 45.5% during the 4 year period from 2005-08. Following a growth of 12.9% in 2006, the market grew by 50.1% in 2007 and then by 81% in 2008 as the total gross written premiums reached SR 594 million in 2008, up from SR 327 million in 2007. The life market is small in comparison with the non-life and health markets and represented only 5% of the total market premium in 2008. Separate figures are not available for group and individual business or different types of life insurance. The growth in 2008 is thought to be on the back of rapid development of both group and individual businesses, but accurate indications of the growth of each sector is not available.

Group life business continues to develop in line with a recently booming economy where employee benefits have become an increasingly significant factor in attracting and retaining high quality staff, especially Saudi nationals.

The introduction of a market code of conduct by SAMA is expected to have a considerable effect on the life insurance industry. The new rules single out protection and savings insurance for specific treatment in respect of, advertising, selling, customer needs assessment, customer advice record keeping, documentation and transparency.

So far, the broking sector has shown little interest in individual life business, preferring to concentrate on group life and employee benefits and the large non-life sector of the market. For the time being, therefore, it appears that the selling of individual life business will continue to be conducted by direct selling efforts.

Reinsurance Business

Historically, insurers in Saudi Arabia have relied heavily upon the international reinsurance market, especially in respect of the placement of treaties. A certain amount of facultative reinsurance and coinsurance is placed locally, but this has diminished somewhat in recent years, as treaty re-insurers have placed restrictions on the gross capacity provided by treaties in respect of accepted facultative business. Saudi Arabian Monetary Authority does not publish any figures on the re-insurance sector in Saudi Arabia. .

Only one pure reinsurance company, Saudi Re, has so far been licensed to operate in this sector. It has a paid up capital of SR 1bn, way in excess of the required minimum of SR 200 million. Currently the company has a BBB+ rating from Standard and Poors. The company's mission statement and objectives make it clear that the focus of operations is on Middle East markets and not solely Saudi Arabia. In spite of Saudi Re's impressive capital base, it is clear that it does not have enough capacity in its own right to enable local insurance companies to comply with the terms of Article 40 of the Implementing Rules which states that 30% of all ceded premiums must be re-insured with in Saudi Arabia. Other pure reinsurance companies may yet emerge in the market, but this appears unlikely in the near future.

A domestic market for facultative reinsurance developed in the 1980's in Saudi Arabia, and it is still in existence, although diminishing, as the three years grace period for existing companies to comply with the provisions of the Regulations came to an end on 13 April 2008. In recent years Saudi insurers have made increasing use of facultative reinsurance capacity within the Gulf Cooperation Council (GCC) states, especially in Bahrain and UAE. Saudi facultative reinsurance business, however, has suffered from a poor reputation, especially in respect of property and construction, and tends to be treated with circumspection in both the GCC and the world markets, although rates applicable in the GCC are generally lower than in Europe.

4. The Company

4.1. Introduction and Incorporation

Saudi Fransi Cooperative Insurance Company is a public joint stock company registered in Saudi Arabia pursuant to Royal Decree No. M/60 dated 18/9/1427H (corresponding to 11/10/2006G). The Company started its first fiscal year following the issuance of Ministerial Resolution No. 142 dated 8/6/1428H (corresponding to 24/6/2007G) by announcing the Company's incorporation. It operates under Commercial Registration No. 1010235601 issued in Riyadh on 25/6/1428H (corresponding to 11/7/2007G) and engages in different types of cooperative insurance activities in accordance with the principles of the Saudi Cooperative Insurance Law and its Implementing Regulations, all under the supervision of the Saudi Arabian Monetary Agency. The share capital of the Company is currently SR 100,000,000 consisting of 10,000,000 Shares with a nominal value of SR 10 each, fully paid.

4.2. Key History

- October 2006: The founders receive authorization to establish the Company as per Royal Decree No. 60/M dated 18/9/1427H (corresponding to 11/10/2006G).
- March 2007: The Company goes public through an Initial Public Offering.
- June 2007: The Constituting General Assembly is held.
- March 2008: The Operational License from SAMA (Ref: TMN/11/20083) is obtained.
- September 2008: The Company moved to the New Head Office in Riyadh and received its 1st products approval.
- November 2008: SAMA has approved the transfer of Insaudi portfolio subject to no goodwill. (SAMA letter Ref 2294/MZ/MT).
- December 2008: The Company expands its geographical presence to cover Riyadh, Jeddah, Medina, Dammam, Khobar, and Al Hasa.
- January 2009: The General Assembly agrees on the transfer of the Insaudi Portfolio as of 1st January 2009.
- The Company obtains the approval for retail Protection and Savings products in March 2009G.
- A trained and outstanding team responsible for the direct sale of retail Protection and Savings products is launched in June 2009G.
- SAMA approves Bancassurance Protection and Savings products in November 2009G (pending the transfer of the bancassurance portfolio for Protection and Savings).

4.3. Shareholding Structure

The share capital of the Company is currently SR 100,000,000 consisting of 10,000,000 shares with a nominal value of SR 10 each, fully paid. The Founding Shareholders own 6.9 million shares representing 69% of the share capital of the Company. The remaining 3.1 million shares representing 31% is owned by the public. Below is a table reflecting the current shareholders' structure of the Company:

Table (17) – Current Shareholding Structure at the Company

Shareholder	Percentage	Number of Shares	Value (SR)
Banque Saudi Fransi	32.5%	3,250,000	32,500,000
Allianz France International (previously known as AGF International)	16.25%	1,625,000	16,250,000
Allianz MENA Holding Bermuda	16.25%	1,625,000	16,250,000
Mohammed Ali Aba Al Khail	2%	200,000	2,000,000
Omran Mohammed Al Omran	2%	200,000	2,000,000
Public	31%	3,100,000	31,000,000

Source: Company

Below is a summary of the direct and indirect Shareholders of the Company:

4.3.1 Banque Saudi Fransi:

Banque Saudi Fransi was incorporated as a Saudi Joint Stock Company pursuant to the Royal Decree No. M/23 issued on 4 July 1977G. Banque Saudi Fransi has a strategic partnership relationship with Calyon which owns 31.1% of Banque Saudi Fransi. Calyon is a key member of Crédit Agricole Group, the first bank to have been established in France and one of the biggest banks in Europe in terms of shareholders equity. Banque Saudi Fransi is headquartered in Riyadh with regional offices in Jeddah, Riyadh and Khobar. It has 75 branches in Saudi Arabia's main cities (including dedicated sections for ladies) and a wide network of 274 ATMs across major cities of the Kingdom of Saudi Arabia.

The Bank's capital is SR 7,232 million as at 31 December 2009G. Below is a table reflecting the major shareholders structure of Banque Saudi Fransi:

Table (18) - Major Shareholders Structure of Banque Saudi Fransi

Shareholder	Percentage
Calyon Bank	31.1%
General Organization of Social Insurance	12.8%
Rashed Al-Abdurrahman -Al-Rashed Company	9.8%
Mohammed Ibrahim Mohammed Al-Eissa	5%
Total	58.7%

Source: Tadawul

It should be noted that Calyon Bank is fully owned by Credit Agricole.

Table (19) - Major Shareholders Structure of Credit Agricole

Shareholder	Percentage
SAS Rue La Boétie	55.2%
Treasury Bills	0.4%
Employees	4.6%
Public	8.6%
Other companies	31.2%
Total	100%

Source: Bank's Website on the Internet

Rue La Boétie is a bank holding company providing commercial banking services through its subsidiaries. The Company was incorporated in 2001 and is based in Paris, France. It is fully owned by the Caisses Regionales Credit Agricole Mutuel, a French company operating as a regional banking cooperative of the Credit Agricole Group and offering credit facilities for individuals, the private sector, the agriculture sector and small businesses in the region. In addition, it provides general banking services such as automated banking services and credit cards.

Table (20) - Major Shareholders Structure of Rashed Abdurrahman Al-Rashed Company

Shareholder	Percentage
Abdul Aziz Rashed Abdurrahman Al-Rashed	19.46%
Salah Rashed Abdurrahman Al-Rashed	19.46%
Abdul Mohsen Rashed Abdurrahman Al-Rashed	19.46%
Abdul Monem Rashed Abdurrahman Al-Rashed	19.46%
Abdul Rahman Rashed Abdurrahman Al-Rashed	19.46%
Salwa Rashed Abdurrahman Al-Rashed	2.7%
Total	100%

Sources: Banque Saudi Fransi

4.3.2 Allianz France International (previously known as AGF International)

Allianz France is fully owned by Allianz SE ("Allianz Group").

4.3.3 Allianz MENA Holding Bermuda:

Allianz MENA Holding Bermuda is fully owned by Allianz SE ("Allianz Group").

Allianz SE

- Allianz SE, previously known as Allianz AG, is a holding company incorporated under the laws of France . It is one of the leading insurers and financial services providers worldwide. The service portfolio of the company comprises property and casualty insurance, life and health insurance, banking and assets management. Allianz SE has global operations with branches and subsidiaries spread across Europe, Pacific Asia, Americas, The Middle East and Africa. Allianz SE is headquartered in Munich, Germany.

Table (21) - Major Shareholders Structure of Allianz SE

Shareholder	Percentage
BlackRock Investment Management Ltd	4.86%
AllianceBernstein LP	3.11%
Deka Investment GmbH	1.48%
Norges Bank	1.41%
Union Investment Group	1.39%
Other companies	87.75%
Total	100%

Source: Company's Website on the Internet

- With over 150,000 employees worldwide, building on 118 years of experience and operations, in more than 70 countries and with 400,000 points of sales, Allianz Group is one of the largest insurers and asset managers worldwide. It is also one of "the world's most ethical companies" listed by the Ethisphere institute. Allianz Group provides insurance services for the majority of the companies listed in Fortune 500 magazine and has 80 million customers around the world.
- In fiscal year 2008 The Allianz Group achieved total revenues of over 509.6 billion Saudi Riyals which is equivalent to 91.4 billion Euros. Allianz is also one of the world largest assets managers, with third-party assets of 703 billion Euros under management at year end 2008.

4.3.4. Mohammed Ali Aba Al Khail:

Name: Mohammed Abalkhail (74)
Nationality: Saudi
Qualifications: (1956) a Degree from a University in Egypt
Position: (2001) Chairman of Gulf Petrochemical & Industrial Company
Present Address: P.O.Box 287, Riyadh 11411, KSA

Percentage of holding in other companies:

Company Name	Ownership %	Company Activity	Company Address
Gulf Petr. & Ind. Company	5.5	Industrial	Dammam
Saudi International Petr. Company	0.06	Industrial	Khobar
Tasnee	0.04	Industrial	Riyadh
Investment & Development Group Co.	15.625	Commercial	Riyadh

4.3.5. Omran Mohammed Al Omran:

Name: Omran Mohammed Al-Omran (74)

Nationality: Saudi

Qualifications: (1964) B.A in Business Administration from University of Texas, USA

Present Address: P.O.Box 91929, Riyadh 11643, KSA

Percentage of holding in other companies:

Company Name	Ownership %	Company Activity	Company Address
Western Bakeries Co. Ltd	10	Manufacturing Bakery Prod.	Jeddah
Omran M. AlOmran & Partners Co. Ltd	70	Holding Company	Riyadh

4.4. The Company's products and services

According to the Company's Bylaws, the Company's objective is to engage in cooperative insurance activities and to provide related activities such as re-insurance, agency, and insurance brokerage. All of the Company's activities are conducted in accordance with the Saudi Cooperative Insurance Law and its Implementation Regulations as well as any other relevant laws and regulations prevailing in the Kingdom of Saudi Arabia. The Company may undertake all activities as may be required for achieving its objectives whether in respect of insurance, or investment of funds or to own, dispose of, transfer, lease or replace moveable and fixed assets whether directly or indirectly through companies to be established by the Company or acquired by it, or in participating in other entities in accordance with the percepts of Shariah.

The Company provides corporate and individual solutions as listed hereunder:

Table (22)- Corporate and Individual Insurance Solutions

CORPORATE SOLUTIONS	INDIVIDUAL SOLUTIONS	BANCASSURANCE SOLUTIONS
■ Employee Benefits Group Protection Group Health Workmen Compensation ■ Property & Casualty Property All Risks Fire Theft Money and Fidelity ■ Engineering Contractors All Risks (CAR) Erection All Risks Machinery Breakdown Electronic Equipment ■ Liability Third Party Liability Product Liability ■ Marine & Aviation ■ Motor ■ Credit Insurance	■ Protection & Saving (Cooperative) Waad Al Ousra (Protection) Waad Al Ajyal (Education) Waad Al Isteqrar (Retirement) ■ Property, Casualty & Health ASF Property ASF Motor ASF Health ASF Personal Accident ASF Travel	■ Protection & Saving (Cooperative) Al Anjal (Educational) Al Ghad (Retirement) ■ Protection & Saving (Takaful) Takaful Al Anjal (Education) Takaful Al Ghad (Retirement)

Source: The Company

4.5. Competitive Advantages

With the Allianz Group and Banque Saudi Fransi as major Shareholders, the Company benefits from the global expertise of one of the world's leading insurers as well as the local insight of one of the leading banks in the Kingdom of Saudi Arabia. The Company believes that the combination of leading technical knowhow and standards and local insight is key to provide corporate and individual customers with premium solutions for their insurance needs.

The Company anticipates that it will be able to rapidly adapt global solutions to local needs and develop various channels of distribution enhancing the accessibility to customers including:

- Bancassurance: the distribution of retail insurance products through Banque Saudi Fransi's branches pursuant to the Bancassurance agreement with Banque Saudi Fransi.
- Direct Sales Force: the distribution of a comprehensive range of individual insurance products through an in-house sales force highly trained and spread throughout branches all across the country.
- Brokers: the distribution of corporate solutions through selective local or international brokers well established in the country.
- Other distribution channels: The Company also intends to explore new sales avenues such as online sales.

Over the next five years, the Company plans to significantly expand both its branch network as well as its sales force across the Kingdom of Saudi Arabia. The Company expects to increase its branch network from 9 in 2009 to 15 over the next few years and will also benefit from the ever expanding geographical foot print of one of its Shareholders, e.g. Banque Saudi Fransi.

4.6. Employees and Commitment to Saudization

The Company considers its employees to be an important factor in contributing to the establishment of the Company as a key player in the Saudi insurance market. The Company believes that it has a strong blend of local talent, and internationally recruited experience.

The Company's relationship with Allianz Group also means that the Company has access to a wide range of training facilities in the Kingdom, regionally, and internationally. The Company also benefits from the "best-practice" oriented culture of the Allianz Group, which is shared through regular conferencing, seminars and on-line training material.

As of 31st December 2009, the total number of the Company's employees was 320, 63% of which were Saudi Nationals. Management's intention is to gradually increase the number of Saudi employees at various levels of the organization. With the Allianz Group wishing to maintain its worldwide reputation for quality, the Company is regularly kept appraised of developments in regulations, internal control and, preferred sales methods and growing customer trends. The following table shows the number of employees as at 31 December 2009:

Table (23) – Number of Employees as at 31 December 2009G:

Management	Number of Employees	Number of Saudi Employees	Number of Non Saudi Employees
Senior Management	4	1	3
Management	6	3	3
Compliance Division	1	1	0
IT	6	2	4
Marketing Division	8	1	7
Operations	73	39	34
Human Resources	13	6	7
Financial Management	19	9	10
Internal audit	3	0	3
Corporate sales	42	12	30
Retail sales	145	125	20
Total Division Employees	320	199	121
Percentage	100%	63%	37%

The Company's Saudization level is currently at 63%. The Company has implemented a Saudization policy in line with the Law on the Supervision of cooperative insurance companies and its Implementing Regulations which require a Saudization level of 50%.

4.7. Acquiring portfolios

4.7.1 Acquiring "InSaudi Insurance Company "BSC" ("InSaudi Portfolio") - 1st January 2009

Following the SAMA approval received on 28/11/1429H (corresponding to 26/11/2008), the Company's General Assembly held on 21/01/1430H (corresponding to 18/1/2009G) approved the transfer of the InSaudi Portfolio to the Company with a cut-off date of 1st January 2009 and with no goodwill.

InSaudi is an insurance company that was incorporated in Bahrain in December 1993. InSaudi was authorized by SAMA to operate in the Kingdom of Saudi Arabia until such time as the Company became fully licensed and the InSaudi Portfolio was transferred to the Company. InSaudi is owned by Banque Saudi Fransi and Allianz Group, the major Shareholders of the Company. The reason of the Portfolio transfer was to allow the Company to start with an existing portfolio base. As of 31st December 2008G Gross Written Premiums for the transferred portfolio totaled SR 139.9 million.

4.7.2 Acquiring "Bancassurance Portfolio"

The Company is also acquiring an insurance portfolio from Banque Saudi Fransi, subject to obtaining required approvals, composed of Bancassurance Protection and saving products which are the following: Al-Ghad for retirement and Al-Anjal for education. This proposed acquisition is being currently reviewed by SAMA and SAMA's final approval of the transfer of the Bancassurance Portfolio is expected to be received in 2010, as determined by SAMA. The number of insurance contracts related to these products that are in force as at 31st December 2009 comprises of the following:

Table (24) – Effective Insurance Contracts Relating to Savings and Protection Products

Product	In force Nbr of Policies	Total Premium in SAR
Al Anjal – Education	13,158	38,895,205.00
Al Ghad - Retirement	7,506	25,665,425.00
Takaful Al Anjal- Education	3,203	9,656,824.00
Takaful Al Ghad-Retirement	2,064	7,629,746.00
Total	25,931	81,847,200.00

The valuation of the Bancassurance Portfolio has been completed and submitted to SAMA for review and the expected price of the transaction should not exceed SR 20 million against the transfer of the above mentioned portfolio. This will further consolidate the Company's positioning in the market.

The Company is still awaiting SAMA's final approval on the transfer of the Bancassurance Portfolio. SAMA has already approved the aforementioned products in November 2009G.

4.8. Geographical Coverage

A summary of the Company's geographical coverage of the Kingdom of Saudi Arabia is set out below in the Table (25) below:

Office	Address	Telephone & Fax
Head Office- Riyadh	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh - KSA P.O. Box 3540, Riyadh 11481	Tel: 966 (1) 874 9700 Fax: 966 (1) 8749799
Riyadh Branch	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh - KSA P.O. Box 3540, Riyadh 11481	Tel: 966 (1) 874 9700 Fax: 966 (1) 8749799

Jeddah Regional Office	Suite 102, 1st Floor, Ewan Center, Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Tel: 966 (2) 2832444 283 2589 Fax: 966 (2) 283 0022
Jeddah Branch	Suite 33, 3rd Floor, Khayyat Tower, Madina Road Northbound Sharafiya District, Jeddah, KSA	Tel: 966 (2) 6678123, 669 2059 Fax: 966 (2) 663 2576
Medinah Branch	Qurban Street, Al Maimani Building, 6th floor, Medina, KSA	Tel: 966 (4) 8674111 Fax. 966 (4) 867 2111
Dammam Regional Office	Business City Building, King Abdelaziz Street, KSA	Tel: 966 (3) 8315600 8315606 Fax: 966 (3) 8315609
Khobar Branch	Al-Salah Tower, Office G107, 28th Street (Pepsi Road) Behind Banque Saudi Fransi Regional Office	Tel: 966 (3) 8679454, 8675230 / 867 2256 Fax: 966 (3) 867 8441
El-Hasa Branch	Al Bostan Mall, Al Thoraiyat Road, El-Hasa, KSA	Tel: 966 (3) 5825400 Fax: 966 (3) 582 8118

The Company plans to further expand in the Kingdom of Saudi Arabia an even more comprehensive service to its customers.

4.9. Company's departments

4.9.1. Operations

The Company is a customer centric organization and has designed its structure accordingly. The Companies' operations are divided into departments split by customers' needs rather than by line of business. The operations departments are divided as follows:

- Corporate customers served by the "Business Center Corporate (BCC)".
- Individual customers served by the "Business Center Individual (BCI)".
- Insurance claims served by the "Business Center Claims (BCL)".

All of the above are backed up with a "Reinsurance & Actuarial" Center.

(A) Business Center Corporate (BCC)

Providing insurance solutions for corporate customers in the following sectors:

- General
- Health
- Protection & Savings

- Performing the following functions:

  - Underwriting
  - Risk Assessment
  - Pricing
  - Quotations
  - Policy Issuing
  - Policy Renewals & Services
  - Facultative Reinsurance, Etc.

(B) Business Center Individual(Bci)

Providing insurance solutions for Individual Customers in the following sectors:

- General
- Health
- Protection & Savings

- Performing the Following Functions:
  - Underwriting
  - Risk Assessment & Pricing
  - Quotations
  - Policy Issuing
  - Policy Renewals & Services
  - Facultative Reinsurance, Etc.

(C) Business Center Claims (BCL)

Services Claims for all lines of business

Performing the following functions: processing claims, coordination with TPA, garages, hospitals, clinics and claims surveyors or lawyers in case of litigation.

(D) Nformation Technology (I.T.)

Including Software, Hardware & connectivity.

4.9.2. Reinsurance and Actuarial

- Reinsurance:
  - Reinsurance accounting for treaties
  - Renewal
  - New treaty negotiations.
- Actuarial:
  - Reserves calculation
  - Preparation of actuarial files
- Product Development:
  - Pricing of products
  - Study of profits
  - Product design
  - Coordination with external actuaries

4.9.3. The other divisions include the following

(A) Sales:

- Management of direct sales force including;
  - Coaching and following up with the retail sales team.
  - Opening new channels of distribution.
- Training: Prospecting, recruitment and training of sales force.
- Business Development: Coordination of the relation with the Bancassurance and product distribution partners and other distribution channels.

(B) Corporate Sales:

- Western Region, Central Region, Eastern Region.
- Management of the corporate sales force including the relations with international brokers and local brokers.

(C) Human Resources & Government Relations:

- Human Resources: Prospecting, Recruitment, Training
- Government Relations.
- Support Services: Administration & Support Services.

(D) Finance:

- Accounting;
  - Accounting
  - Relations with the Auditors
  - Financials Preparation
- Reporting & Budgeting;
  - Financial Reporting to CMA & to the Shareholders.
  - Business planning
  - Budgeting
- Investment;
  - Relation with Asset Management.
  - Follow up the performance.
  - Asset Liability Matching.
- Cash Management & Collection;
  - Relation with Banks
  - Coordination of collection with various distribution channels.

(E) Internal Audit:

- Internal Audit. Risk Management. Security.

(F) Compliance:

- Ensure the observance and compliance of the rules & regulations of authorities.

(G) Alternate Channels:

- Bancassurance.
- New Channels.

(H) Market Management:

- Corporate Communication
- Innovation & Costumer Focus.
- Marketing.

4.10. Outlook for Future Product

The Company continuously works on providing new products such as:

- Collective pension insurance;
- Complete house insurance.

5. Corporate Structure

5.1. Board of Directors

The Company is managed by a Board of Directors comprising eight (8) members appointed by the Shareholders at an ordinary meeting General Assembly for a term not exceeding three years. The initial Board of Directors was appointed by the constitutive general assembly for a term of three (3) years from the date of the Ministerial Resolution No. 142 dated 8/6/1428H (corresponding to 24/6/2007G) declaring the establishment of the Company.

The Board of Directors is ultimately responsible for the policies and management of the Company. The Board of Directors approves strategic, accounting, organizational and financing policies adopted by the Company. Its responsibilities include the appointment of executive officers and authorized signatories of the Company, in addition to supervision over the Company's management. The Board of Directors is also entrusted with organizing the Shareholders' meetings and carrying out Shareholders' resolutions

In line with the Founders' Agreement entered into between the main founders' of the Company, an equal number of Board members will be appointed by the Banque Saudi Fransi and by Allianz, and each Shareholder appointed three directors.

The current Board of Directors is composed of the following members:

- Three members representing Banque Saudi Fransi (BSF)
  - Jean Marion
  - Abdurrahman Jawa
  - Nizar Al Qannas – B.O.D Secretary
- Three members representing Allianz France & Allianz MENA Holding Bermuda
  - Hugues de Roquette Buisson
  - Heinz Dolberg
  - Antoine Issa – Chief Executive Officer
- Two members representing the public, including the Chairman
  - Yousef Al Hamdan - Chairman
  - Sameer Al Hamidi

Below is table (26) reflecting the current Board composition of the Company:[(6)]

Name	Representing	Members Classification	Nationality	Age	No. of Shares
Yousef Hamdan Al Hamdan	Public	Non Executive / independent	Saudi	70	1,000
Sameer Mohammed Al Hamidi	Public	Non Executive / independent	Saudi	50	1,000
Jean Marie Marion	BSF	Non Executive / not independent	French	61	N/A
Abdurrahman Amin Jawa	BSF	Non Executive / not independent	Saudi	59	N/A
Nizar Abdulrazzaq Al Qannas	BSF	Non Executive (BOD Secretary) / not independent	Saudi	64	N/A
Heinz Dolberg	Allianz MENA Holding Bermuda	Non Executive / not independent	German	60	N/A
Hugues de Roquette Buisson	Allianz France International (previously known as AGF International)	Non Executive / not independent	French	60	N/A
Antoine Jean Issa	Allianz France International (previously known as AGF International)	Executive (CEO)/ not independent	Lebanese	43	N/A

Source: the Company

(6) :No member of the Board owns 5% or more of the shares of the Company in accordance with Article 38 (1) of the Implementing Regulations of the Insurance Law. The number of shares includes the Qualifying shares provided for under Article 68 of the Companies Regulations.

an independent Board member will be appointed at the first general assembly to be convened after the completion of this Rights Issue, in compliance with article 12 of the corporate governance regulations.

Below is table (27) summarizing each Board member's experience:

B.O.D Members Background	
Name:	Yousef Hamdan Al-Hamdan (70 years)
Nationality:	Saudi
Position:	Chairman of the Board of Directors
Education:	Holds a BSC in Commerce, 1964 from Texas University and an MBA in Statistics, in 1966 from the Same University, Austen, Texas, USA.
Current Positions:	Mr. Al Hamdan is the Owner and President of Yousef Al Hamdan Trading Company Ltd, Founder and President of the National Instalment Company, Member in SOCPA since 2003, an elected Board Member of General Establishment for Military Industries since 2004.
Experience:	Mr. Al Hamdan has been a Deputy Minister in the Ministry of Commerce and Industry from 1975-1980, and a Board Member of a number of institutions including: SADAF, Saudi Ports Authority, General Organization for Railways, SAPTO, Saudi Company for Hotels and Touristic areas and SASO. He was a founder, Board Member and then Chairman of United Commercial Bank, Board Member (until 1993) of Al Salam Company for Aircraft, Board Member (1992-1995) of the National Plastic Company (affiliated to SABIC), Chairman & MD (1992-1996) of the National Company for Operation and Industrial Services, elected Vice Chairman (2 tenures until 1992) of the Riyadh Chamber Commerce and Industry, Board Member (up to 1997) of Riyadh Bank, Board Chairman (since establishment in 1994 to 1998) of Saudi Committee for International Chamber of Commerce in Paris, and elected Board Member (1990-1992) of the International Chamber of Commerce in Paris. He is currently a Board member in the National Installment Company.

Name:	Sameer Mohammed Abdul Aziz Al Hamidi (50 years)
Nationality:	Saudi
Position:	Member of the Board of Directors.
Education:	Bachelor Degree in Economics and Business Administration, (S.M.U) Dallas, Texas, USA (1980)
Experience:	(1981 – 1985) Vice President of Al-Hamidi Group which is diversified business group of companies engaged in the following activities: Fire Fighting, Detection Extinguisher Factory, Alarm Safety & Security System, Contracting, Engineering in addition to a Kingdom wide chain of home center stores, agent & distributor of many international brands and insurance. 1985 to Present: General Manager of the Saudi Company for Hardware (SACO & SACO World), a pioneer national Limited Liability Company, importer wholesaler & distributor, agent and retailer of hardware/ home appliances industrial. Professional, agriculture hand & Power Tools and many other different items divided on (12) departments, throughout a number of Kingdom wide outlets, each contains more than 41,000 different items under one roof, in addition to many other related activities, such as: After Sale Service Delivery & Assembly, Wholesale & Distribution Division, Supplying the Governmental and Private Sectors upon request, with a full rang of different items & Services. He is currently a Board member in Astra Industrial Company.

Name:	Jean Marie Marion (61 years)
Nationality:	French
Position:	Member in the Board of Directors
Education:	BSC in Economics from Paris University
Experience:	Mr. Marion worked for 14 years from 1970 at Banque Societe Generale in Leasing and Real Estate Department, International Branches Department. He then joined Banque Saudi Fransi as CEO, Credit Agricole Assurance in Paris Indosuez Hong Kong as Deputy General Manager, in Taiwan, South Africa, Argentina, China as Regional Manager, New York as a General Manager. He is now the Managing Director of Banque Saudi Fransi in Saudi Arabia.

Name:	Abdul Rahman Amin Jawah (59 years)
Nationality:	Saudi
Position:	Member of the Board of Directors
Education:	BSC in Business Administration, Ohayo State University, USA, 1974 Banking Training Program- First International Citi Bank, USA, 1974 Advanced Management Program, Harvard University, USA, 1987
Current Positions:	Since 1990, Mr. Jawah has worked as the Deputy MD at Banque Saudi Fransi. He is now the Chairman of the Board of the following companies: Saudi Travelers Cheque Company, Banque Bemo of Lebanon, Banque Bemo Saudi Fransi of Syria. He is also a director of Alamthal Company. He is currently a Board member in Banque Saudi Fransi.
Experience:	Mr. Jawah was a Regional Manager with Banque Saudi Fransi (1980-1990), General Manager of Hisham Commercial Establishment (1977-1980), Assistant Manager at Saudi Investment Bank (1976-1977), Assistant Manager at First International Citi Bank in Riyadh (1974-1976).
Name:	Nizar Abdulrazzaq Al Qannas (64 years)
Nationality:	Saudi
Position:	Member of the Board of Directors and Board Secretary
Education:	Bachelor Degree in Political Science
Experience:	Insurance accountant – Nissan agency Kuwait 1970 – 1972 Manager Finance and administration – Dubai industrial co.193 – 1976. Trainee Officer then Deputy manager National Bank Of Abu Dhabi – international DIV. Abu Dhabi – London – Bahrain 1977 – 1982 Ececo EAST finance DEP. Contract and coast compliance 1982 – 1983BSF 1983 to date regional personal manager – remedial manager Regional manager retail banking from 1987 till 1989 Secretary general from 1990 to date.
Name:	Heinz Dolberg (60 years)
Nationality:	German
Position:	Executive Vice President of Asia, Middle East and North Africa Division
Education	University Degree of Law at the University of Freiburg (1970-1977), Germany.

Experience:	Mr. Heinz Dolberg worked for 31 years with the Allianz Group since 1978 where he held several positions including: Personnel Manager at Allianz Life Insurance (1978-1981); General Manager in the International Department of Allianz Life, H.O (1981-1985); Chief Representative in the Representative Office for Allianz AG Tokyo, Japan (1985-1988); he then moved to China where he became the Deputy Managing Director in Allianz Cornhill Insurance in Hong Kong (1988-1990); then the Regional Director for Hong Kong, Thailand, Korea, Taiwan, Mainland China and Australia; Vice President Overseas Division in Allianz Group Munich (1990-1997); Executive Vice President Asia Pacific Division in Allianz Group Munich (1998-2005); Mr. Dolberg was appointed as Honorary Professor in 2005 by the Southwestern University of Chengdu in China, he was also appointed in 2006 as Honorary Professor by the Tongji University, Shanghai, China. He currently is the Executive Vice President of Asia, Middle East and North Africa Division in Allianz SE, Munich.

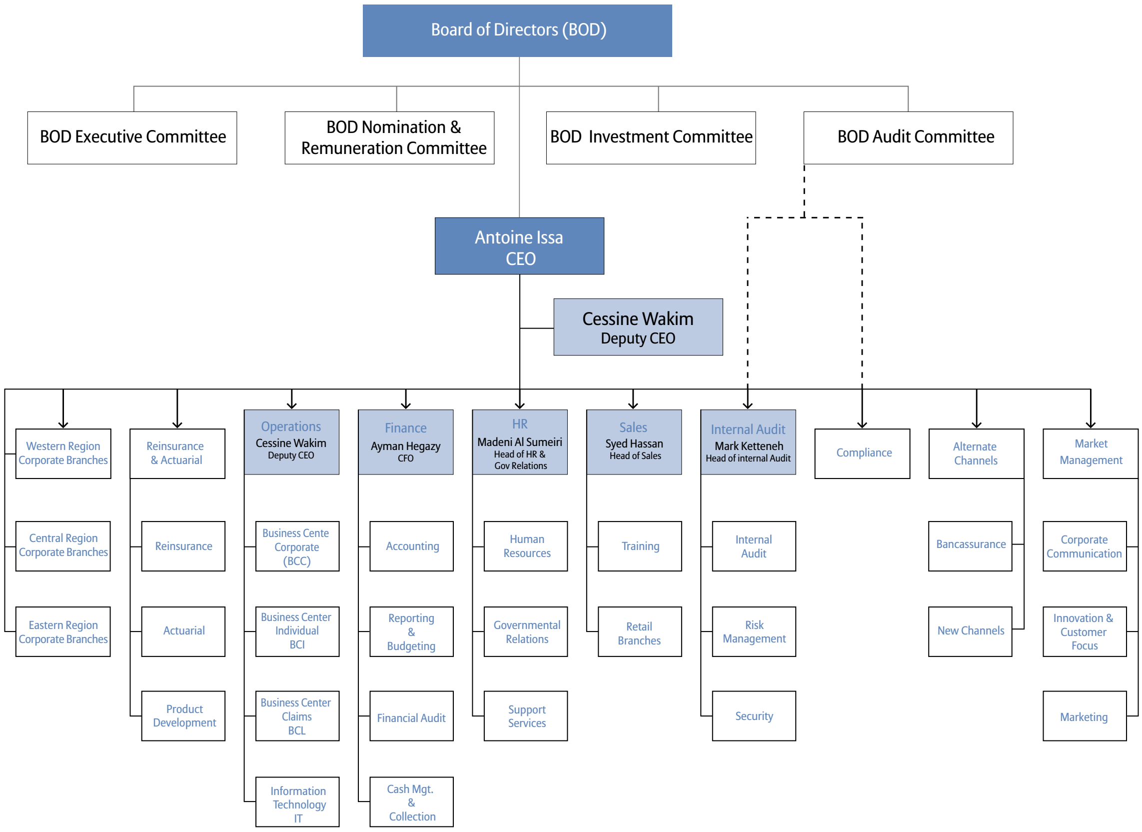
Name:	Hugues George De Roquette Buisson (60 years)
Nationality:	French
Position:	Member in the Board of Directors
Education	A university Degree in Economics – Business School, Paris
Experience:	Mr. De Roquette Buisson worked in the French Ministry of Economy, External Economical Relations Section. He later worked in the Banking and Insurance Section as the deputy Head of the Credit Department in the French Commercial Bank (1975- 1994). He now works as External Trading Consultant for France in addition to his work in the private sector. He joined AGF Group in 1990 as a Managing Director (1990- 1992), then worked as Assistant GM (1992- 1998) and after as CFO (1998- 2001). He then held the position of GM in the Main Branch, Paris for the Middle East & Africa (2001-2008). He retired in 2008G. He now works as a consultant for private projects in Africa & the Middle East and is a Board Member for several Allianz operating entities.

Name:	Antoine Jean Issa (43 years)
Nationality:	Lebanese
Position:	Member of the Board of Directors & Nominated CEO.
Education	Masters in Civil Engineering from ESIB Lebanon 1989 & Masters in Finance from ESA/ESCP 2003.
Experience:	Mr. Antoine Issa worked for 19 years with the Allianz Group from 1990 where he held several positions in several countries including: Head of Development at Allianz SNA in Lebanon (1999 to 2003); Managing Director of Allianz Egypt in Cairo (until 2006) and Deputy CEO of Allianz SNA in Lebanon (until November 2007). He is currently the CEO of Allianz Saudi Fransi. He sat in the Board of Directors of several entities of Allianz Group in Lebanon, Jordan, Egypt, Bahrain & Saudi Arabia.

Source: the Company

5.2. Organization Structure

The Company has a streamlined organizational structure separating functional management from sales and distribution and operations which, the Company believes, allows it to focus on maximizing operational performance. The organization structure of the Company including various business units is shown below:



5.3. Senior Executives

The table (28) below shows the senior executives of the Company:

Name	Position	Number of Shares	Year of Birth	Nationality	Latest Degrees
Antoine Jean Issa	Chief Executive Officer	N/A	1966	Lebanese	Masters in Civil Engineering in 1989 & Masters in Finance in 2003
Cessine Jean Wakim	Deputy Chief Executive Officer	N/A	1959	Lebanese	Masters in Mathematics in 1980 & P.H.D in International Business Administration in 2008
Madeni Ahmed AlSumeiri	Head of H.R & Gov. Relations	N/A	1963	Saudi	Bachelor of Business Administration in 1984

Syed Iftikhar Hassan	Head of Sales	N/A	1957	Indian	Masters of Science in 1981
Ayman Elwan Hegazy	Chief Financial Officer	N/A	1978	Egyptian	Certified Public Accountant in 1999 & Masters in Business Administration in 2005
Mark Antoine Kettaneh	Head of Internal Audit Department	N/A	1964	Lebanese	Bachelor of Business Management in 1988

Source: the Company

Below is table (29) summarizing the senior executives' experience:

Senior Management Background	
Name:	Antoine Issa
Position	Chief Executive Officer
Nationality	Lebanese
DOB	1966
Degrees	Masters in Civil Engineering in 1989 & Masters in Finance in 2003

Date	Company	Country	Last Position
1990-2003	Allianz SNA	Lebanon	Head of Development
2003-2006	Allianz Egypt	Egypt	Managing Director
2006-2007	Allianz SNA	Lebanon	Deputy Chief Executive Officer
2007 to date	Allianz SF	KSA	Chief Executive Officer

Name:	Cessine Wakim
Position	Deputy Chief Executive Officer
Nationality	Lebanese
DOB	1959
Degrees	Masters in Mathematics in 1980 & P.H.D In International Business Administration in 2008

Date	Company	Country	Last Position
2007-1982	Allianz SNA	Lebanon	Head of Business Center Corporate & Head of Research & Development
2007 to date	Allianz SF	KSA	Deputy Chief Executive Officer

Name:	Ayman Hegazy
Position	Chief Financial Officer
Nationality	Egyptian
DOB	1978
Degrees	Certified Public Accountant in 1999 & Masters in Business Administration in 2005

Date	Company	Country	Last Position
2003-2000	KPMG	Egypt	Auditor Assistant
2006-2003	Allianz Egypt	Egypt	Finance Manager
2007-2006	Allianz Bahrain	Bahrain	Chief Financial Officer
2007 to date	Allianz SF	KSA	Chief Financial Officer

Name:	Madeni Al-Sumeiri
Position	Head of HR & Government Relations
Nationality	Saudi
DOB	1964
Degrees	Bachelor of Business Administration in 1984

Date	Company	Country	Last Position
2007-1987	BSF	KSA	Head of Govt. Relations
2008 to date	Allianz SF	KSA	Head of HR & Govt. Relations

Name:	Syed Hassan
Position	Head of Sales
Nationality	Indian
DOB	1957
Degrees	Masters of Science in 1981

Date	Company	Country	Last Position
2001-1984	Life Insurance Corp. of India	India	Senior Divisional Manager
2006-2001	Life Insurance Corp. International	Bahrain	Chief Organizer
2007-2006	Saudi Indian Coop. Insurance	KSA	General Manager (life)
2007 to date	Allianz SF	KSA	Head of Sales

Name:	Mark Kettaneh
Position	Head of Internal Audit Department Lebanese
Nationality	Lebanese
DOB	1964
Degrees	Bachelor of Business Management in 1988

Date	Company	Country	Last Position
1989-1988	Consolidated Const. Co.	Athens	Accountant
1989-1990	Consolidated Const. Co.	Mauritania	Senior Accountant
1990-1993	Consolidated Const. Co.	Tunisia	Assistant Financial Manager
1993-1994	Consolidated Const. Co.	Kuwait	Area Financial Manager
1994-2002	Consolidated Const. Co.	Lebanon	Assistant Financial Manager
2002-2005	National Steel Fabrication	Egypt	Financial Manager
2005-2007	Pepsi Co.	Lebanon	Internal Audit Manager
2008 to date	Allianz SF	KSA	Head of Internal Audit

5.4. Remuneration of the Board members and senior executives

The Chairman of the Board of Directors shall receive a remuneration for his services in the amount of one hundred and eighty thousand Saudi Riyals (SR180,000) annually. Members of the Board of Directors shall each receive a remuneration for their services in the amount of one hundred and twenty thousand Saudi Riyals (SR120,000).

In addition, the Chairman and other members of the Board of Directors shall each receive an amount of three thousand Saudi Riyals (SR3,000) for attending each Board meeting.

The Company also reimburse the Chairman and members of the Board the actual expenses associated with their attendance of Board or Executive Committee meetings, including travel, residence and accommodation expenses.

However, under all circumstances, total payments made to the Chairman and Board members shall not exceed 5% of the Company's net profits. The Company is required to notify all Shareholders of the proposed remuneration for each Board member prior to convening the General Assembly meetings at which the proposed remunerations will be presented for voting. The General Assembly shall approve the granting of such remunerations and considerations. Concerned Board members or senior executive officers are not permitted to vote on such resolutions.

During the fiscal year ending 31st December 2008 and during the fiscal year ending 31st December 2009, the Board members did not receive any annual remuneration or compensation apart from the attendance fees. The total remuneration and compensation of Board members during the first fiscal year from January 2009 to 31st December 2009 is as follows:

Table (30) - Remunerations and Compensations of the Board Members:

	Annual Remuneration	Attendance Fee (SR)	Expenses (SR)
Chairman	-	12,000	Nil
Other Board Members	-	141,500	136.934
Total	-	153,500	136.934

Source: the Company

The senior executives (including the Chief Executive Officer and the Chief Financial Officer) referred to above were paid in fiscal year ending 31st December 2009, a total sum of SR4,927,587 divided as follows:

- Salaries: SR3,212,748;
- Allowances: SR1,714,839

The members of the Board of Directors recognize that there are no existing or contemplated contracts or arrangements at the date of this Prospectus whereby the Chief Executive Officer, the Chief Financial Officer, a member of the Board of Directors or any person connected to them would have a material interest, or which would be material for the Company's business. Moreover, no arrangements or agreements by which any of the members of the Board of Directors or any senior executive or any shareholder waived their rights to receive dividends were entered into.

In 2009, the Company did not record penalties, punishments, or provisional restraints by the CMA or any regulatory authority, except a penalty of SAR 10,000 incurred due to the late submission of its first financials of 2007 to the CMA.

5.5. Acknowledgement and declaration of the Board members and senior executives:

The Board members declare that, except to the extent disclosed in the Company's balance sheet and accompanying notes, the Company has no loans, debts, and overdrafts facilities, any liabilities under acceptance, acceptance credit, or lease purchase obligations.

The CEO, Board members, CFO and the Company's Secretary further declare that:

- The financial information contained in this Prospectus has been taken from the Company's financial statements without any material amendment being made thereto, and that the financial statements have been prepared in accordance with international standards for financial reporting;
- They have never been declared bankrupt or been subject to bankruptcy proceedings;
- Except as disclosed in this Prospectus, neither they nor any of their relatives have at the submission date of this Prospectus, any material interests, or any material existing, proposed or expected contracts or any interests in the Company's Shares.
- No commissions, discounts, brokerages or other non-cash compensation were granted by the Company or any member of its Group to any member of the Board, senior manager, developer or expert in relation to the offer or sale of any Company's share in the two years immediately preceding the date of the share listing application.
- There is no interruption in the Company's business that may affect or have a significant impact on its financial situation in the past twelve months.
- The Company has reviewed the expected requirements from the cash flows and believes it will have sufficient working capital for the twelve month-period immediately following the date of issue of this Prospectus.
- They do not have any powers or rights to borrow from the Company.
- Board Members confirm that the Company does not have any debt instruments or term loans at the Date of this Prospectus, and they confirm that the Company's capital is not under any option.
- They do not have the right to vote on their remunerations or on any contract or proposal in which they have a material interest.
- They will abide by the provisions of Articles 69 and 70 of Companies Law and the provisions of Article 18 of the Corporate Governance Regulation.

5.6. Corporate Governance

The Company is committed to the Corporate Governance Regulation issued by the CMA and considers that such commitment is critical to its success. This requires the implementation of a clear framework for transparency and disclosure which the Company believes is reflected in the structure and guidelines provided for below:

5.6.1. Board of Directors

The Board is composed of a group of competent and experienced members who bring a mix of international and local experience covering a broad range of financial services. THE COMPANY IS COMMITTED TO COMPLY WITH THE CORPORATE GOVERNANCE REGULATIONS WITH RESPECT TO THE NUMBER OF INDEPENDENT BOARD MEMBERS AT THE FIRST GENERAL ASSEMBLY TO BE CONVENED AFTER THE COMPLETION OF THIS RIGHTS ISSUE. The Board is required to meet at least four times per annum.

5.6.2. Shareholders' General Assembly

The Company endeavors to keep Shareholders up to date at the Shareholders General Assembly with regard to any major developments, and makes available periodical financial reports in line with the requirements of SAMA's guidelines and the requirements of the Listing Rules issued by the CMA.

5.6.3. Disclosure of financials and other Information

The Board aims to present Shareholders with a concise and balanced overview of the Company's financial performance. In addition, the financials are distributed on a quarterly basis to the members of the Board of Directors before publishing. The financials are also discussed on each board of directors meeting.

5.6.4. Executive Committee

The Executive Committee is responsible for providing recommendations to the Board on various issues including 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. The mandate of the members of the Executive Committee is similar to the mandate of the Board of Directors. The Board of Directors may fill in any vacancies in the Executive Committee.

The quorum for any meeting of the Executive Committee is at least two (in person or by proxy). Decisions of the Executive Committee must be taken unanimously but, in case of disagreement may be taken by the majority of three quarters of the members present in person or represented.

The President of the Executive Committee may convene a meeting at any time deemed necessary subject to a minimum of four meetings being held annually. A meeting of the Executive Committee may also be convened at the request of any two members.

The authorities and responsibilities of the Executive Committee are as follows:

- 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 objectives and strategy of the Board;
- undertaking and supervising the progress of the operation and project's development.

The Executive Committee is comprised of the following members:

Table (31) – Members of the Executive Committee

BOD Executive Committee	
Hugues de Roquette Buisson	Chairman of Executive Committee
Jean Marie Marion	Member
Abdurrahman Amin Jawa	Member
Heinz Dolberg	Member
Antoine Jean Issa	Member (CEO)

Source: the Company

5.6.5. Audit Committee

The Audit Committee is responsible for discharging the Board's duties relating to the supervision of the Company's financial reporting and evaluating the adequacy of internal and external audit processes. The Audit Committee also reviews risk management functions and assesses the Company's processes relating to its risk and control environment. The Audit Committee is comprised of the following members:

Table (32) – Members of the Audit Committee

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

Source: the Company

Each of the three members of the Audit Committee are non executive members; with only one being a Board member. The Audit Committee met on January 2009 to oversee the Company's Financials for the 4th quarter of 2008 and on February 2009 to oversee the Financials of the first fiscal year. The Audit Committee is also responsible for overseeing the process of identifying, managing, monitoring, reporting and minimizing business, financial and operational risks faced in the areas of the Company's strategies, investments, liabilities, liquidity, solvency, products and services. The Audit Committee is required to meet a minimum of four times per year.

5.6.6. Investment Committee

The Investment Committee is responsible for preparing, reviewing, and approving the investment policy of the Company and set the investment strategy in accordance with the investment policy approved by the Board of Directors and communicated to SAMA. The Investment Committee is required to meet a minimum of twice a year.

The Investment Committee is comprised of 3 voting members and the CFO who sits as a non-voting member:

Table (33) – Members of the Investment Committee

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

Source: the Company

5.6.7. Nomination and Remuneration Committee

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

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

and

- Approve and evaluate the compensation plans, policies and programs of the Company.

The Nomination & Remuneration Committee is comprised of:

Table (34) – Members of the Nomination and Remuneration Committee

Nomination & Remuneration Committee	
Heinz Dolberg	Chairman of Nomination & Remuneration Committee
Jean Marie Marion or Abdurrahman Amin Jawa (by alternance)	Member
Sameer Mohammed Al Hamidi	Member

Source: the Company

5.6.8 Shariah Committee

The Company has an independent Shariah Committee, which approves the Cooperative as well as Takaful Products. The Company's Shariah Committee is composed of:

Table (35) – Members of the Shariah Committee

Shariah Committee	
Shiekh Abdullah Al Manea	President of the Shariah Committee
Dr. Abdulsatar Abu Ghuda	Member of the Shariah Committee
Dr. Mohammed Al Qarri	Member of the Shariah Committee

Source: the Company

The duration of the membership of the Shariah Advisory Committee is four Hijri years from the date of their first meeting. The Committee generally holds four meetings a year and may, subject to its discretion, increase or decrease the number of meetings held. The Committee's main objective is to review the products and services offered by the Company from a Shariah compliance perspective and to review agreements entered into by the Company with third parties.

The Shariah Committee has already approved the Company's Takaful Products, Takaful Al Ghad (Retirement), and Takaful Al Anjal (Education).

5.7 Authorities of Chairman, CEO and Board members

5.7.1 Chairman

The Chairman has been granted the following powers by the directors through a Power of Attorney Number 39970 dated 23/4/1429H: to represent the Company in its relationship with others and before judicial bodies, Government departments, Public Notaries, Courts, the Committee for the Settlement of Negotiable Instruments Disputes, the Committee for the Resolution of Securities Disputes, Boards of Arbitration, Civil Rights Divisions, Police Departments, Chambers of Commerce and Industry, private commissions; to raise, defend, plead, settle, acknowledge, arbitrate, accept and reject judgments on behalf of the Company; to accept and release pledges in favor of the Company; to issue powers of attorney and to appoint and remove agents and attorneys; and to sign articles of association of companies in which the Company shall participate, and to amend the same.

5.7.2 Chief Executive Officer (CEO)

The main functions of the CEO are the following:

- The General Management of the Company
- Signing Insurance policies not exceeding a certain limit (double the limit of the reinsurance operations). In case of policies which exceed the fixed limit, the C.E.O. must sign the insurance policies jointly with the one of his deputies (General Manager, CFO).
- Signing cheques not exceeding the amount of SAR 400,000 and jointly with one of his deputies when the amount of the cheque is more than SAR 400,000 but less than SAR 1,500,000 and jointly with one of the members of the Executive Committee when the amount of the cheque exceeds SAR 1,500,000,
- Signing, solely and with no limit, the operations of transfer between the Company's bank accounts (including opening and closing operation bank accounts and any bank related transaction).

- Managing financial and investment operations not exceeding the amount of SAR 1,000,000 and jointly with one of his deputies within the limit of SAR 2,000,000.
- Executing the Board's and Executive Committee's decisions.
- Delegating any of his authorities to any other employee of the Company within the limits fixed by the Board or the Executive Committee.
- Signing solely all documents and papers related to administrative and jurisdictional matters.
- Signing, without any amount limitation, all the company's insurance contracts, and delegating this authority to whom he sees it fits from the Company's employees, subject to the prior approval of the Board or the Executive Committee.

5.7.3 Board members

The main functions of the Board members are the following:

- Clear understanding of the Company's position and circumstances;
- Continuously follow any developments that occur in the Company's industry;
- Monitor competitors and be continuously aware of any market developments;
- Ensure that sound strategic planning is adopted;
- Provision of necessary resources to implement the Company's plans;
- Provision of support to management in the event of problems and delays.

6. Use of Proceeds

6.1 Net Proceeds

The total gross proceeds from the Offering are estimated at SAR 125,000,000,out of which SAR 8,500,000 will be paid as Offering fees including fees of each of the financial advisor, legal advisor and reporting accountants, in addition to the Receiving Banks, Lead Manager, Underwriter, the marketing expenses, printing and distribution expenses and other Offering related expenses.

The net proceeds of the Offering will reach SAR 116,500,000, after deducting all the expenses related to the Offering. The Company intends to use these proceeds to cover the solvency requirements and to finance the Company's expansion plans to benefit from the opportunities presented by the local insurance sector, and to execute the general objectives of the Company. The Company's Shareholders will not receive any proceeds resulting from the Offering

6.2 Use of Proceeds

Insurance companies in the Kingdom of Saudi Arabia practice their business in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations. Several articles addressing capital requirements in relation to insurance companies' incorporation and management as follows:

- Section 3 of Article 3 of the Law on Supervision of Cooperative Insurance Companies provides for the following: the capital of the insurance company shall not be less than SR 100,000,000 and that the Capital may not be altered without the Agency's approval in accordance with the Companies Law.
- Articles 66 and 67 of the implementing regulation of the Law on Supervision of Cooperative Insurance Companies state that the insurance company shall maintain its capital level and an appropriate solvency margin respectively.
- Article 48 of the implementing regulation of the Law on Supervision of Cooperative Insurance Companies states that the Company's gross underwritten premium shall not exceed ten (10) times the total paid capital and reserves without the Agency's written approval.

The Company intends to use the proceeds of the Offering, in accordance with the above articles. The Company also intends to support business growth and the development of insurance products. Since its incorporation in July 2007, the Company has been working in a wide range of products and with a large customer base. It may now benefit from its current situation to expand its business over the coming years in order to meet the Solvency Margin Requirements specified by the Implementing Regulations required by the Company's expansion plan.

- The amount of SAR 10,000,000 will be used for the development and growth of existing insurance products and the provision and development of new insurance products through the addition of various products to existing products and services in such areas as Protection and Savings and other areas of insurance included in cooperative insurance activities. These products will be added to health insurance activities, which started late last year.
- The rest of the proceeds amounting to SAR 115,000,000 will be used to cover the required margin of solvency and the required statutory reserve, in accordance with Article 48 and Articles 66 and Article 67 of the implementing regulation of the Law on Supervision of Cooperative Insurance Companies, in line with the Company's expansion plans requirements concerning the capital base supporting growth.

The attached table (36) shows the use of the proceeds over the coming 4 years:

A summary of the Company's development (SAR Mn)

	2009	2010	2011	2012	2013
General Insurance premium growth	250	344	461	596	743
Protection and Savings premium growth	159	261	388	528	675
Total	**409**	**605**	**849**	**1,124**	**1,418**
Additional premiums	331	196	244	275	294
Total Solvency Requirement	**48**	**72**	**101**	**135**	**186**
Net Asset Value before additional capital	**41**	**26**	**25**	**41**	**71**
Aditional capital required to cover solvency	**(7)**	**(46)**	**(76)**	**(94)**	**(115)**
Additional Capital injection	**100**				
Net Asset Value after additional capital	**141**	**126**	**125**	**141**	**171**

Source: Saudi Fransi Cooperative Insurance Company

Development of existing insurance products and provision of new insurance products:

The amount of SAR 10,000,000 will be used to develop existing insurance products and to provide and develop new insurance products, by promoting the products through advertising campaigns (e.g. advertisements) aimed at publicizing brand products and through educational campaigns to educate consumers, as well as through other marketing activities that increase consumer awareness in relation to its products and establish the Company's brand name in the market. The Company has now two new products being submitted to SAMA for approval (see section 10.4-Outlook for Future Projects)

- Collective pension insurance;
- Complete house insurance.

Expansion of capital base to support growth

The Company intends to increase its capital from SAR 100,000,000 to SAR 200,000,000 to support the growth of existing products and introduce new products. In accordance with Article 48 of the implementing regulation of the Law on Supervision of Cooperative Insurance Companies, which stipulates that states that the Company's gross underwritten premium shall not exceed ten (10) times the total paid capital and reserves, the capital increase will allow the Company to underwrite up to SAR 1,250,000,000 of GWP.

Maintaining the required margin of solvency and statutory reserve

The solvency level reflects the financial health of insurance companies. Articles 66 and 67 of the implementing regulation state that insurance companies should maintain a minimum solvency level as well as a statutory deposit to manage operating activities and meet the requirements of future expansion plans. In addition, Article 58 of the implementing regulation states that insurance companies should place a statutory deposit amounting to 10% of the paid up capital with the Agency.

7. Management Discussion and Analysis Concerning the Financial Position and the Result of Operations

The following analysis of the Company's financial results is based upon and should be read in conjunction with the audited financial statements as of 31st December 2008 and the audited financial statements as of 31st December 2009, which were jointly audited as of December 31st 2008 by Ernst & Young and KPMG Al Fozan and Al Sadhan for the 31st December 2008 statements, and jointly reviewed by KPMG Al Fozan and Al Sadhan and Al Bassam Certified Public Accountants and Consultants for the 31st December 2009 statements (7). The 31st December 2008 financials consist of the 18 month period from July 2007 to December 2008 and the December 31st 2009 financials consist of the 12 months of 2009.

7.1 Auditors

The Company has appointed KPMG Al Fozan & Al Sadhan and Al Bassam Certified Public Accountants as its auditors.

7.2 Reporting Obligations

The Company is subject to the relevant disclosure obligations and periodic reporting requirements provided for in the CML. The Company will provide the CMA with annual and periodic financial statements in accordance with the CML and its Implementing Regulations.

7.3 General overview:

Saudi Fransi Cooperative Insurance Company is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010235601 dated 26 Jumada Thani 1428H (corresponding to 12 July 2007). The Company operates through its nine branches in the Kingdom of Saudi Arabia, employing 320 employees as of 31 December 2009. The registered office of the Company is located at Al Safwa Commercial Building, P O Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company does not operate any insurance business outside Saudi Arabia.

7.4 Basis of Preparation

Basis of measurement

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments.

Statement of compliance

The Company's financials were prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to a letter was issued by the Capital Markets Authority (CMA) on 27 August 2008 expressing no objection to the publication of financial statements under International Financial Reporting Standards (IFRS).

The Company's by-laws require that separate accounts be maintained for Insurance and Shareholders' activities. 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.

(7) *It should be noted that the initial summarized financial statements have been prepared in accordance with the International Accounting Standards (IAS 34), and not with the International Financial Reporting Standards (IFRS) issued by the Saudi Organization for Certified Public Accountants (SOCPA).*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of insurance operations or statement of shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Functional and presentational currency

The functional and presentational currency of the company is Saudi Riyals (SR). The financial statement values have been rounded to the nearest thousand Saudi Riyals, unless otherwise indicated.

7.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

New standards and interpretation issued but not yet effective

The following standards and interpretation have been issued by International Accounting Standard Board (IASB) but are not yet mandatory for these financial statements.

- IFRS 8 Operating Segments;
- IAS 1 (revised) Presentation of financial statements;
- IAS 32 Presentation of financial instruments and IAS 1- Presentation of Financial Statements –Include table Financial Instruments and Obligation Arising on Liquidation.

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

Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash at banks.

Foreign currencies

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

Revenue recognition

- Gross premiums

  Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis The change in the provision for unearned premiums is taken to the "statement of insurance operations", over the period of risk. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

- Reinsurance premiums

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

Fees and interest income

Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over future periods. Interest income is recognized on an effective yield basis taking account of the principal outstanding and the interest rate applicable.

Cash-settled share-based payment

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

Claims

Claims, comprising amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to 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 balance sheet date.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgment and the Company's prior experience, is maintained for the cost of settling claims "incurred but not reported" at the balance sheet date. Any difference between the provisions at the balance sheet date and settlements and provisions for the following period is included in the underwriting account for that period.

Deferred policy acquisition costs (DPAC)

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

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

Fair values

For investments traded in the organized markets, fair value is determined by reference to quoted market bid prices. The fair value of unquoted interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Reinsurance

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

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and 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 associated reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Investments

All investments are initially recognized at fair value, including acquisition charges associated with the investment. Premiums are amortized and discounts accreted using the effective yield method and are taken to the statements of shareholders' operations.

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

(1) Held to maturity

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

(2) Available for sale

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

Premiums receivable

Premiums receivable are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Impairment and uncollectibility of financial assets

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

For assets carried at fair value, impairment is the difference between the cost and fair value;

For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset

For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate.

Derecognition of financial instruments

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

Offsetting

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

Trade date accounting

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

Office equipment and furniture

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

- Computer and office equipments 4 years
- Vehicles 4 years
- Furniture and fittings 7 years

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

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Liability adequacy test

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

Leases

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

Zakat and income tax

Zakat is computed on the Saudi shareholders' share of equity or net adjusted income using the basis defined under the Zakat regulations in the Kingdom of Saudi Arabia. Income taxes are computed on the foreign shareholders' share of net adjusted income. Zakat and income tax is accrued and charged to the Statement of Changes in Shareholders' Equity.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows:

Engineering and liability provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.

Fire provides coverage against fire, and any other insurance included under this class of insurance.

Shareholders' Funds is a non-operating segment. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations are allocated to this segment on an appropriate basis.

The health care products provide medical cover to policyholders.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Employee end of service benefits

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

Events after the balance sheet date

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date. Events that are indicative of condition that arose after the balance sheet are disclosed, but do not result in an adjustment of the financial statements themselves.

7.6 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Impairment of investments

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

Reserve for insurance activities

The estimation of the ultimate liability arising from claims made under general insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the balance sheet date, for which the insured event has occurred prior to the balance sheet date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

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

Impairment losses on receivables

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

Deferred policy acquisition cost

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

Classification of held-to-maturity investments

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

7.7 Balance Sheet

Table 37: Balance Sheet

	As at 31st Dec 2009 SAR	As at 31st Dec 2008 SAR	Change Rate
INSURANCE OPERATIONS' ASSETS			
Office equipment and furniture	6,136,276	7,016,114	(13)%
Reinsurers' share of outstanding claims	29,464,834	1,196,374	2363%
Reinsurers' share of unearned premiums	107,158,188	50,068,631	114%
Deferred policy acquisition costs	5,011,713	632,839	692%
Unit linked investments	33,460,107	-	
Prepayments and other assets	2,658,630	1,149,167	131%
Due from shareholders' operations	24,873,121	25,337,634	(2)%
Premiums receivable, net	147,092,524	58,687,080	151%
Cash and cash equivalents	**16,100,139**	**3,923,431**	**310%**
TOTAL INSURANCE OPERATIONS' ASSETS	371,955,532	148,011,270	151%
SHAREHOLDERS' ASSETS			
Statutory deposit	10,076,025	10,053,040	0.32%
Advance on investments	-	800,000	

Investments	12,021,591	14,164,997	(15.13)%
Prepayments and other assets	168,627	144,047	17.06%
Due from an affiliate	15,593,759	9,545,361	63.36%
Cash and cash equivalents	33,602,059	56,621,236	(40.65)%
TOTAL SHAREHOLDERS' ASSETS	**71,462,061**	**91,328,681**	**(21.75)%**
TOTAL SHAREHOLDERS AND INSURANCE OPERATIONS' ASSETS	443,417,593	239,339,951	85.27%
INSURANCE OPERATIONS' LIABILITIES			
Employees' end of service benefits	1,732,560	511,271	239%
Unearned premiums	156,155,870	58,374,364	168%
Mathematical reserve	33,833,742	-	
Outstanding claims	46,027,457	1,663,076	2668%
Unearned commission income	1,731,863	736,891	135%
Reinsurance balances payable	84,328,008	49,304,621	71%
Accrued expenses and other liabilities	18,201,848	7,476,863	143%
Due to an affiliate	29,944,184	29,944,184	0%
TOTAL INSURANCE OPERATIONS' LIABILITIES	**371,955,532**	**148,011,270**	**151%**
SHAREHOLDERS' LIABILITIES AND EQUITY			
Due to insurance operations	24,873,121	25,337,634	(2)%
Accrued expenses and other liabilities	3,322,855	53,040	6165%
Zakat payable	491,732	50,825	868%
Total shareholders' liabilities	**28,687,708**	**25,441,499**	**13%**
SHAREHOLDERS' EQUITY			
Share capital	100,000,000	100,000,000	0%
Accumulated losses	(57,083,147)	(34,224,179)	67%
Fair value reserve	(142,500)	111,361	(228)%
Total shareholders' equity	**42,774,353**	**65,887,182**	**(35)%**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	**71,462,061**	**91,328,681**	**(22)%**
TOTAL INSURANCE OPERATIONS AND SHAREHOLDERS' LIABILITIES AND EQUITY	**443,417,593**	**239,339,951**	**85%**

7.7.1 Assets

As of December 2009, the total assets of Saudi Fransi Cooperative Insurance Company stood at SAR 443 million compared to SAR 239 million as of Dec 31st 2008 and are described in further detail as follows:

	As at 31st December 2009	As at 31st December 2008
Insurance Operations Related Assets	371,956	148,011
Shareholders Related Assets	71,462	91,328
Total Assets for Operations and Shareholders	443,418	239,339

a) Cash Position:

As of 31st December 2009, the Company's cash and equivalents stood at SAR 49.7.0 million as compared to SAR 60.5 million as of December 31st 2008. Cash & equivalents coupled with the mandatory statutory reserve, which as of 31st December 2009 amounted to SAR 59.8 million, collectively represent 13.48% of the Company's total asset base.

As per insurance regulations in Saudi Arabia, each insurance operator in Saudi Arabia has to place 10% of its share capital with a SAMA designated bank and allocate 20% of its net profits to this reserve until the statutory reserve reaches 100% of the operator's equity base.

b) Investments:

The Company's investment portfolio stood at SAR 45.48 million as of December 31st 2009, as compared to SAR 14.1 million as of December 31st 2008 and is subdivided in to investments available for sale (and attributed to shareholder's assets) and unit linked investments (attributed to insurance operations assets).

As of December 31st 2009, ASF's unit linked investments stood at SAR 33.46 million and consisted exclusively of investments in local and foreign equity funds. ASF's investment's available for sale, as of December 31st 2009 consisted of fixed income investments in listed sukuk's and of equity investments in unlisted securities.

c) Net Premiums receivable:

The net premiums receivable as of 31st December 2009 were approximately SAR 147 million as compared to SAR 58.6 million as of December 31st 2008. None of the premiums receivable were considered to be impaired or unrecoverable. The premiums receivable on the financials as of 31st December 2009 are due to the acquisition of the portfolio of Insaudi Insurance Company, which was acquired by the Company on 1st January 2009 as well as due to new business under written during the initial 9 months of 2009.

The actual operations of the Company only started on September 1st 2008, so no provisions for bad debts were required as of 31st December 2008, compared to a provision for bad debts of SAR 19.9 million as of 31st December 2009

d) Property & Equipment:

To support its growth, the Company has made major expenditures in Fixed Assets, mainly in Furniture & Fixtures and in Computer equipments.

Total purchases during the period ending December 31st 2008 amounted to SAR 10.2 million, while the net book value as of 31st December 2009 was SAR 6.1 million.

7.7.2 Liabilities and Shareholders' equity:

As of 31st December 2009, total liabilities and shareholders' equity amounted to SAR 443 million, split as follows:

a) Provision for unearned premiums:

The insurance operations' liabilities were mainly composed of provision for unearned premiums and the reinsurance share of the provision for unearned premiums written during 2009. Unearned premiums were up from SAR 58.3 million as of Dec 31st 2008 to SAR 156 million as of December 31st 2009. Similarly reinsurance share of the provision for unearned premiums increased from SAR 49.3 million as of Dec 31st 2008 to SAR 84 million as of December 31st 2009. This increase is attributed to the acquisition of Insaudi Insurance Company's portfolio as well as the business underwritten during 2009.

b) Provision for outstanding claims:

The provision of outstanding claims as of December 31st 2009 amounted to SAR 46 million, up from SAR 1.6 million as of Dec 31st 2008 and included net claims attributed to general insurance for SAR 16.0 million and SAR 0.4 million to life insurance.

c) Reinsurance balance payable:

The balances payable to reinsurers as of December 31st 2009 amounted to SAR 84.3 million, up from SAR 49.3 as of Dec 31st 2008 mainly due to an increase in the insurance business underwritten by the company during 2009.

d) Payments to related parties:

As of 31st December 2009, the balance payable to related parties remained constant when compared to Dec 31st 2008 and amounted to SAR 29.9 million, mainly payable to Insaudi Insurance Company (BSC) representing pre-incorporation expenses and other expenses paid by the related party on behalf on the Company.

A receivable from the same related party mentioned above as of Dec 31st 2008, amounting to SAR 9.5 million was recorded in the assets, leaving the Company with a net balance payable to Insaudi Insurance Company (BSC) of SAR 20.4 million.

e) Interest bearing debt or borrowings:

As of 31st December 2009, the Company had no interest bearing debt or borrowings.

f) Shareholders' equity:

Shareholder's equity as of December 31st 2009 was SAR 42.7 million as compared to SAR 65.8 million as of Dec 31st 2008 and a paid up capital of SAR 100 million.

The decrease in shareholders' equity is mainly due to the loss incurred by Saudi Fransi Cooperative Insurance Company during fiscal year 2009 of SAR 19.0 million. The remaining reduction in the paid up capital is attributed to the loss SAR 25.3 million and pre-incorporation expenses of SAR 10.5 million incurred during the 18 month period ending December 31st 2008.

7.7.3 Income Statement

Table (38) - Statement of the result of Insurance transactions

	12 months ended 31 December 2009 SR	For the period from 23 June 2007 to 31 December 2008 SR
Gross written premiums	337,831,422	77,908,114
Reinsurance premiums ceded	(189,395,489)	(65,937,744)
Net written premiums	**148,435,933**	**11,970,370**
Changes in unearned premiums	(48,299,677)	(58,374,364)
Reinsurance share of unearned premiums	27,208,847	50,068,631
Net change in unearned premiums	**(21,090,830)**	**(8,305,733)**

Net premiums earned	**127,345,103**	**3,664,637**
Commission earned during the period	13,062,609	214,344
Unrealized gain on unit linked investments, net	3,255,659	-
Fees and other income	543,207	-
Total revenues	144,206,578	3,878,981
Gross claims paid	**(119,838,156)**	**(439,300)**
Reinsurance share of claims paid	52,258,255	329,475
Net claims paid	(67,579,901)	(109,825)
Changes in gross outstanding claims	(12,085,342)	(1,663,076)
Changes in reinsurance share of outstanding claims	6,172,134	1,196,374
Net outstanding claims	(5,913,208)	(466,702)
Net claims incurred	**(73,493,109)**	**(572,527)**
Change in mathematical reserves	(15,078,063)	
Commission expenses amortized	(11,180,575)	(318,704)
Inspection and supervision fees	(1,689,158)	(389,541)
General and administrative expenses	(61,847,490)	(27,931,843)
Total claims and expenses	**(163,288,395)**	**(29,216,615)**
Net (deficit) for the period	**(19,081,817)**	**(25,337,634)**
Net deficit transferred to statement of shareholders' operations	19,081,817	25,337,634
Net result for the period	**-**	**-**

Source: Financial Statements

Table (39) - Statement of the result of Shareholders transactions

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

a) Written premiums

The Gross Written Premiums amounted to SAR 337.8 million as of December 31st 2009 as compared to SAR 77.9 million as of December 31st 2008 and were split (per line of business) as follows:

Gross Written Premiums	December 31st 2009	December 31st 2008
Motor	62.8 Million	-
Engineering	71.9 Million	61.8 Million
Medical	103.2 Million	-
Other General	77.2 Million	16.1 Million,
Protection & Savings	22.7 Million	-
Total Gross Written Premiums	337.8 Million	77.9 Million

In the table above, Other General Insurance category comprises of Property for SAR 58.8 Million, Marine for SAR 11.1 Million and Liability for the remaining SAR 7.3 Million.

For the year ending December 31st 2009, the company had a Gross Written Premiums (GWP) of SAR 337 million, the majority of which is attributed to Property, Motor, Medical & Engineering lines of business. After deducting the ceded reinsurance premiums, the net written premiums earned for the 12 months ending December 31st 2009 amounted to SAR 148.4 million.

It is important to note that the revenue generation during the period ending December 31st 2008 was carried out only during the last 4 months of 2008, once the required product approvals were obtained. The engineering business contributed SAR 61.8 million to a total gross written premium of SAR 77.9 million. The remaining contribution of SAR 16.1 million came from medical business. During this period the company ceded SAR 65.9 million in reinsurance premiums resulting to a net written premium amounting to SAR 11.9 million.

b) Net premiums earned:

The Net premiums earned after deducting the premium ceded to reinsurers and the reserves for the unearned premiums as of December 31st 2009 amounted to SAR 127.3 million as compared to SAR 3.7 million as of December 31st 2009.

The Net premiums earned for the Company are low due to the high level of reinsurance ceded for main lines of business such as Property, Engineering etc. as well as due to the fact that the Company only started writing business in September 2008 and reserves for unearned premiums are typically higher during the initial period for which they are underwritten.

c) Claims incurred:

The Net Claims Incurred during the 2009, after deducting the reinsurance shares and reserves, amounted to SAR (73.4) million as compared to SAR (0.5) million as of 31th December 2008. During the twelve months ending 31st December 2009, gross claims paid by the Company amounted SAR (119.8) million which when adjusted to the claims recoverable through reinsurance amounted to SAR (67.5) million of net claims paid.

d) Commissions:

The company recorded a net commission earned during 2009 of SAR 1.8 million as compared to a net commission expense of SAR (0.1) million for the 18 month period ending December 31st 2008. The company pays to its agents and brokers a commission for new business generated, and at the same time receives commission from reinsurers for the premium portion ceded to them. The commissions received from the reinsurers represent income to the company in return for ceding premiums to the reinsurers.

e) General expenses:

Since its incorporation till 31st December 2009, the Company has incurred total expenses of SAR (65.7) million including: SAR (61.9) million for insurance operations and SAR (3.8) million for shareholders operations, split as follows:

- General and administrative expenses: SR 61.1 million
- Depreciation expenses: SR 2.9 million
- Inspection and Supervision fees: SR 1.7 million

Employee costs at SR 29.2 million accounted to approximately 47% of the overall operating expenses while other operating expenses such as depreciation, rents, withholding taxes, advertising and promotion accounted to the remaining operating expenditure.

f) Net results:

For the period ending December 31st 2009, the company incurred a net loss of SAR (22.4) million which compares favorably to the net loss incurred during the eighteen month period ending December 31st 2008 of SAR (33,4) million. The net loss for the year ending December 31st 2009 is due to the expansion of the company and range from renting new offices to hiring and development of employees as compared to the eighteen month period ending December 31st 2009 where the net loss was primarily driven by general and administrative expenses of SAR (27.9) million and pre-incorporation expenses of SAR (10.5) million.

7.7.4 Cash Flow Statement

Table 40: Interim Statement Of Insurance Operations' Cash Flows

	12 months ended 31 December 2009 SR	23 June 2007 to 31 December 2008 SR
OPERATING ACTIVITIES		
Surplus from insurance operations after shareholders' appropriation	-	
Adjustments for:		
Shareholders' appropriation from (deficit)	(19,081,817)	
Depreciation	2,851,635	3,167,449
Employees' end of service benefits	1,221,289	511,271
	(15,008,893)	3,678,720

Changes in operating assets and liabilities:		
Deferred policy acquisition costs	(4,378,874)	(632,839)
Premiums receivable, net	(88,405,444)	(58,687,080)
Due from shareholders' operations	19,546,330	(25,337,634)
Unit linked investments	(33,460,107)	
Prepayments & other assets	(1,509,463)	(1,149,167)
Unearned premiums, net	40,691,949	8,305,733
Mathematical Reserve	33,833,742	-
Outstanding claims, net	16,095,921	466,702
Unearned commission income	994,972	736,891
Reinsurance balance payable	35,023,387	49,304,621
Accrued expenses and other liabilities	10,724,985	7,476,863
Net cash (used in) from operating activities	**14,148,505**	**(15,837,190)**
INVESTING ACTIVITIES		
Purchase of office equipment and furniture	**(1,971,797)**	**(10,183,563)**
Net cash used in for investing activities	**(1,971,797)**	**(10,183,563)**
FINANCING ACTIVITIES		
Due to an affiliate	-	29,944,184
Net cash from (used in) financing activities	**-----------------**	**29,944,184**
Net changes in cash and cash equivalents	**12,176,708**	**3,923,431**
Cash and cash equivalents at the beginning of the period	**3,923,431**	**-**
Cash and cash equivalents at the end of the period	**16,100,139**	**3,923,431**

a) Insurance operations' cash flow Statement:

For the period ending December 31st 2009, the net cash generated from operating activities amounted to SAR 14.1 million versus SAR 15.8 million used during the eighteen months period ending December 31st 2008.

The positive operating cash flow for the Insurance Operations for the period ending December 31st 2008 was driven by payables such as reinsurance balance payable SAR (49.3) million, unearned premium SAR (8.3) million and other accrued expenses and payables SAR (7.4) million. For the year ending December 31st 2009, the company experienced a positive operating cash flow of SAR 14.14 million.

For the period ending December 31st 2009 the increase in net premiums receivable is due to the acquisition of the portfolio of Insaudi Insurance Company as well as premiums receivable on account of new insurance business written during 2009.

For the same period, the investments in unit linked securities represent investments on behalf of the policy holders who choose the funds as per their individual requirements. These unit linked investments are recorded as an asset on the balance sheet with mathematic reserves as the corresponding liability.

During the entire 12 months of 2009, the company used SAR (1.97) million in lieu of investing activities which were driven by capital expenditure on office equipment and furniture. This compares to cash used in operating activities of SAR 35.5 million for the eighteen month period ending 31st December 2008, which was primarily driven by cash consumed in shareholder's operations of SAR 25.3 million as well as in purchase of office equipment and furniture of SAR (10.1) million.

During 2009, the company did not generate or consume any cash flow from financing activities (as they relate to insurance operations assets), whereas cash flows from financing activities for the eighteen months period ending December 31st 2008 was SAR 29.9 million representing payments due to the company's affiliate, InSaudi.

b) Shareholders' cash flow Statement:

Table 41: Interim Statement Of Shareholders' Cash Flows

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

The Company incurred a net loss of SAR (22.3) million for the year ending 2009, which represents a large part of the cash flow used in the Company's operations but represents a significant improvement over the 18 month period ending 31st December 2008 when incurred a loss of SAR (33.4) million. This net loss accounted for approximately 75% of the net cash consumed in operations of about SAR 44.8 million with statutory deposit SAR 10.05 million and payments for Zakat SR (0.7) million accounting for most of the remainder.

During the same period, cash flow from investing activities (and attributed to shareholders) was SAR 2.9 million during 2009, versus SAR (14.8) million cash consumed on investing activities during the ending of 31 December 2008. This cash outflow was driven entirely by investments in money market Funds and Sukuks.

Cash used in financing activities during the year ending 31st December 2009 SAR (6) million, compared to the last 18 months period ending December 31st 2008 where it generated cash from financing activities of SAR 90.45 million.

8. Products and Services

According to its bylaws, the object of the company is to engage in cooperative insurance activities and all related activities such as agencies, representations, correspondence and brokerage, in accordance with the provisions of the Law on the Supervision of cooperative insurance companies and its Implementing Regulations and the rules and regulations in force in the Kingdom of Saudi Arabia.

The Company offers insurance products and services to cater to both individual and corporate needs. The Company may offer its products after obtaining SAMA approval for each product. For some of the products offered, the Company has only received temporary approvals from SAMA.

8.1 Corporate Solutions

- Employee Benefits
  - Group Protection: covers death or disablement of employees due to accident or sickness.
  - Group Health: health insurance in KSA is compulsory and regulated by CCHI – Cover includes in-patient medical expenses, and out-patient medical expenses, including optical and dental treatments.
  - Group Personal Accident: covers accidental death, Permanent Total Disablement (PTD), Permanent Partial Disablement (PPD) and weekly indemnity following accident.
  - Workmen Compensation: covers legal liability of employers to compensate their employees for death, disablement or injury due to an accident at work during the period of the employment contract.
- Property & Casualty
  - Property All Risks: covers 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.
  - Fire: covers against accidental physical loss or damage to property caused by fire, lightning, explosion, impact damage, natural catastrophes, and other named perils that may be added as extension.
  - Theft (burglary): covers against loss or damage due to theft by forcible entry into the premises.
  - Money & Fidelity: covers against loss of money in safe as well as while in transit during business hours. Also covers loss due to specific dishonest acts of employees.
  - Motor Fleet: covers physical loss or damage to the private and commercial motor vehicles of the company as well as legal liability towards third party due to road accidents.
- Engineering
  - Contractor's All Risks (CAR): provides comprehensive cover against physical loss or damage to the property/contract works during its construction, including contractor's plant & equipment as well as liability towards third party arising during the construction period.
  - Erection All Risks (EAR): provides comprehensive cover against physical loss or damage to the machinery/plant/project during its erection, including liability towards third party during the erection period.
  - Machinery Breakdown (MB): covers against electrical or mechanical breakdown or damage to machinery and mechanical equipment at work, at rest or during maintenance operation.
  - Electronic Equipment (EE): covers against losses which arise suddenly and unforeseeably and physically affects computer hardware, communication equipment, medical equipment and other electronic equipment, including damage to data media.

- Liability
  - Third Party Liability: covers the insured's legal liability towards third party for loss or damage to their life and property due to the professional negligence of the insured or his employees (Such cover could be extended to cover food poisoning).
  - Employer's Liability: covers employer's legal liability towards his employees for death or injury happening during the period of employment as a result of negligence or an act of tort from the employer.
  - Products Liability: covers manufacturer's or suppliers' legal liability towards third party for loss or damage to their life and property caused by the product to end-users.
- Marine and Aviation
  - Cargo: covers loss or damage to all sorts of cargo in bulk, on pallets or in containers by sea or by airfreight from suppliers worldwide to customer warehouse in the Kingdom of Saudi Arabia or vice versa.
  - Hull: covers the ship or yacht and its components such as body of the ship and machinery of the ship from different surrounding risks, such as sinking, fire, etc. including liability towards third party.
  - I Inland Transit: covers loss or damage to cargo during inland transportation from or to the insured's warehouse within the Kingdom of Saudi Arabia.
  - Aviation: covers the plane and its components from surrounding risks, including liability to third party.
- Credit

Covers the risk of not being paid by insured's trade debtor. Additional covers offered are trade debt collection, protection against fraud, providing bonding and guarantees, including export guarantees.

8.2 Individual Solutions

Protection & Saving (Cooperative)

- **Waad Al Isteqrar (Retirement):**

Waad Al Isteqrar is designed to help customers to plan ahead for retirement years. This individually tailored saving and investment plan ensures that when the time comes, the policyholder will be able to secure decent retirement benefits.

Waad Al Isteqrar also provides protection to the family through three basic covers:

- Cover A:

  A lump sum payment to the family in case of: Death, Permanent Total Disablement (PTD) or Critical Illness.
- Cover B:

  An annual income payable to the spouse for up to 5 years in case of: Death or Permanent Total Disablement (PTD).
- Cover C:

  An annual income payable to each child up to reaching the university/chosen age incase of: Death or Permanent Total Disablement (PTD).

In addition to providing protection to the family, it is a saving and investment program where the saving component will be invested in portfolios and funds to be selected by the policyholder according to his preference.

- **Waad Al Ajyal:**

Waad Al Ajyal is a protection & saving plan designed to help parents plan ahead for their children's educational fees.

It will enable parents to set aside savings over a specified time frame to secure the needed financial support to cover the university fees of their children.

In case of unfortunate events the plan provides the following protection covers:

- Waiver of contributions: the Company will, on behalf of the client continue to pay the saving contribution as initially planned in case of optional Death or Permanent Total Disablement (PTD).
- Schooling benefits (optional): annual income payable to the children up to reaching the agreed university age in case of: Death or Permanent Total Disablement (PTD).

The saving component will be invested in portfolios and funds to be selected by the policyholder according to his preference.

- Waad Al Ousra:

Waad Al Ousra is a simple protection plan providing families with a convenient protection against unforeseen circumstances that could compromise their quality of life the plan: will secure a lump sum amount in case of Death or annual payments in case of Permanent Total Disablement (PTD).

- Property & Casualty & Health
  - ASF Property

  A comprehensive plan that protects the house, shop, office or workshop including furniture, equipment, stock and other belongings.

    - It covers: material damages caused by fire, explosion, lightning, and impact of vehicle, aircraft damage, earthquake, water damage, burglary and many other covers.
    - It is a flexible plan that can be changed as per your needs in terms of covered amount and scope of cover.

  - ASF Motor

  It offers a wide range of covers, thus allowing the individual to have a complete peace of mind when driving. It is a comprehensive insurance that covers loss or damage to insured vehicle itself and that covers third party liabilities for bodily injury or damage to property caused by the insured vehicle.

- ASF Personal Accidents (ASF PA)

It is a flexible worldwide accident protection solution which allows individuals to protect their families. It is a worldwide accident insurance plan especially designed for families; it can help relieve the financial burden caused by an unforeseen accidental event.

- ASF Travel

With ASF Travel, and in collaboration with Mondial Assistance, worldwide leader in travel insurance, the Company offers the Customer's a comprehensive Assistance and Travel Insurance package including:

  - Emergency medical fees or hospitalization incurred abroad.
  - Emergency dental care expenses.
  - Repatriation in case of serious illness or accident.
  - Medical advice abroad.
  - Useful travel information.
  - Urgent dispatch of medicines.
  - As well as other benefits.

- ASF Health

ASF Health is a basic Health Insurance plan with a variety of optional covers to suit clients needs. It includes:

  - In-Hospital Cover: this cover shall apply in the event of health conditions requiring hospitalization, and/or emergency services and/or in-hospital surgery/procedures.
  - Out of Hospital Cover: Out of hospital benefits are services such as physician consultation, pharmaceuticals, diagnostic tests which do not require hospitalization or in-hospital treatment/observation.
  - Additional Benefits: maternity, optical and dental benefits.
  - Network of Hospitals: the Company offers a wide network of hospitals/clinics in the Kingdom of Saudi Arabia.

- Bancassurance Individual Solutions
  - AL Anjal (Education)

  Al Anjal is a protection & savings plan distributed through Banque Saudi Fransi insurance distribution team designed specifically to save for children's education.

  It is an investment linked plan, whereby the amounts saved are invested according to the policyholder investment strategy, through a selection among Portfolios / Funds proposed by the Company.

  The plan also provides protection: In the event of the insured Death or Permanent Total Disablement (optional), the Company will continue to pay the premiums as initially planned and up to the maturity date.

- Al Ghad (Retirement)

  Al Ghad is a protection & savings plan distributed through Banque Saudi Fransi insurance distribution team designed to secure retirement benefits on maturity.

  It is an investment linked plan, whereby the amounts saved are invested according to the policyholder investment strategy, through a selection among Portfolios / Funds proposed by the Company.

  The plan also provides protection: In the event of the insured Death, the Company will pay the full amount of the selected sum insured to the family. In the event of Permanent Total Disablement (Optional), the sum insured will be paid in 5 annual installments.

- Takaful Al Anjal (Education)

Takaful Al-Anjal is an education saving plan designed to secure children's education.

It is an investment linked plan whereby the amounts saved are invested according to the policyholder investment strategy through a selection among Sharia' compliant Portfolios / Funds proposed by the Company.

The plan also provides protection too: Incase of Death or Permanent Total Disablement (optional), the Company will continue the saving contributions as initially planned to the education children.

- Takaful Al Ghad (Retirement)

Takaful Al-Ghad is a retirement saving plan designed to save for golden age while protecting the family.

It is an investment linked plan whereby the amounts saved are invested according to the policyholder investment strategy through a selection among Sharia' compliant Portfolios / Funds proposed by the Company.

The plan also provides protection incase of Death or Permanent Total Disablement (optional). The Company will pay to the family the agreed cover amount in one lump sum in case of Death or five installments in case of Disablement.

9. Summary of Bylaws

Saudi Fransi Cooperative Insurance Company is a public joint stock company registered in Saudi Arabia under Commercial Registration Number 1010235601 pursuant to the Ministerial Resolution No. 142 dated 8/6/1428H (corresponding to 24/62007G) and in accordance with Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G).

Objectives of the Company

The objective of the company is to engage in, in accordance with the provisions of the Law on the Supervision of Cooperative Insurance Companies and its Implementing Regulations and the rules and regulations in force in the Kingdom of Saudi Arabia, cooperative insurance activities and all related activities such as reinsurance, agencies, representations, correspondence and brokerage. The Company may undertake all activities as may be required for achieving its objectives whether in respect of insurance, or to investment of funds or to own, dispose of, transfer, lease or replace moveable and fixed assets whether directly or indirectly through companies to be established by the Company or acquired by it, or in participating in other entities in accordance with the percepts of Shariah.

The Company may own or have interest in or participate in any way with any other entity undertaking similar activities or other financial activities which may help the Company realize its objectives, or merge with those entities or acquire them. All the above activities can be exercised inside or outside the Kingdom of Saudi Arabia.

Duration of the Company

The duration of the Company shall be 99 Gregorian years commencing on the date of issuance of the Ministerial Resolution declaring its establishment. The Company's period may always be extended through a resolution adopted by the General Assembly in an extraordinary meeting taking place at least one year before the expiration of the Company duration.

Share Capital

The share capital of the company is SR 100,000,000 divided into 10,000,000 equal shares, each with a nominal value of SR 10.

Initial Public Offering

The Founders of the Company had subscribed for sixty nine million (6,900,000) of the Company's shares in the amount of sixty nine million Saudi Riyals (SAR 69,000,000) representing sixty percent (69%) of the ordinary shares of the Company, and have paid the entire value thereof at the incorporation of the Company. The remaining three million one hundred thousand (3,100,000) shares in the amount of thirty one million Saudi Riyals (SAR 31,000,000), were offered for public subscription following the issuance of the Royal Decree authorizing the incorporation of the Company. The shares were subscribed in full immediately following the offering. The Company's shares were complete and amounted to one hundred million (100,000,000) shares.

Tradability of Shares

The Company's shares are tradable according to the rules and regulations of the Capital Market Authority.

Decrease of Share Capital

The General Assembly may in an Extraordinary Meeting after obtaining the approval of the competent authorities and, based on certain justifiable causes and following the approval of concerned parties, adopt a resolution to reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. Such resolution shall be issued after reading the auditor's report on the reasons calling for such reduction, the liabilities of the Company and the effect of the reduction on such liabilities, with due consideration to the provision of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within 60 days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company documentary evidence of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Constitution of the Board of Directors

The Company shall be managed by a Board of Directors composed of eight (8) members to be appointed by the Ordinary General Assembly for a term not exceeding three years. Such appointment shall not contravene a juridical person's right to change its representative in the Board. As an exception to the foregoing, the initial Board of Directors is appointed by constitutive general assembly and will serve for a term of three (3) years from the date of the Ministerial Decision declaring the establishment of the Company.

Board of Directors Shares

Each member of the Board of Directors shall give shares having a nominal value of not less than SR 5,000 for the contracts that may be entered into between the member and the Company and which had been approved by the General Assembly in its ordinary meeting. The right to seize such shares includes the shares due dividends, if any.

Vacancies

Membership of the Board shall be terminated upon the expiration of the appointment period, or the resignation, or death or removal of the member under any applicable law or regulation and with the prior approval of General Assembly in its ordinary meeting. The membership may also be revoked if the member is absent from three consecutive meetings without justification or if he is declared bankrupt or insolvent or has made a settlement request with his creditors or has ceased to pay his debts or if he has become mentally ill or is proved to have committed a dishonest or immoral act or if he is convicted of forgery.

If the post of a Board member becomes vacant, the Board of Directors may temporarily appoint a member to such vacant office, provided that such appointment is presented for approval at the first Ordinary General Assembly following such appointment

Powers of the Board of Directors

Without prejudice to any of the powers conferred on the General Assembly, the Board of Directors shall be vested with the broadest powers to manage the business of the Company and supervise its affairs. The Board of Directors the Board may delegate one or more of its members or a third party to undertake a specific function or functions.

Executive Committee

An executive committee constituted of a minimum of three members and a maximum of five members, is appointed by the Board of Directors. The members of the executive committee shall choose among themselves a president and in case of his absence, the committee will chose a temporary president amongst its members who are present. Members of the committee may delegate one another to vote on their behalf for only three meetings. The mandate of the members of the committee is the same mandate of the Board of Directors. The Board of Directors may fill in any vacancies in the Executive Committee.

The Executive Committee shall assist the Managing Director or the General Manager within the limits of the powers granted to it by the Saudi Arabian Monetary Agency and the Board of Directors as instructed by them.

The meeting of the Executive Committee shall not be valid unless attended by at least two of its members (in person or by proxy) as long as the number of members themselves present shall not be less than two. The decisions of the Executive Committee shall be taken unanimously and in case of disagreement, the decisions shall be taken by the majority of three quarters of the members present in person or represented.

The Executive Committee shall convene from time to time whenever is deemed necessary by its president. However, it shall hold at least six meetings annually. A meeting of the Executive Committee may be convened at any time if at least two members of the Executive Committee so request. A decision approving such meeting shall be issued by the approval in writing of two of the Executive Committee members.

Chairman of the Board and Managing Director

The Board of Directors shall appoint a Chairman from among its members as well as a Managing Director. The Chairman and the Managing Director shall have the power to sign on behalf of the Company. They shall also have the power to represent the Company in its relationship with others and before judicial bodies. The Chairman and the Board of Directors may also delegate third parties to undertake certain functions. The Managing Director shall be responsible for the executive management of the Company.

Secretary of the Board of Directors and Advisor to the Board of Directors

The Board shall assign a secretary to the Board of Directors. The Board of Directors may also appoint an advisor to assist the Board of Directors in the affairs of the Company. The secretary and the advisor's remunerations shall be determined by the Board of Directors.

Meetings and Resolutions of the Board of Directors

Following an invitation by the Chairman or upon a request made to the Chairman by two of the Board members the Board of Directors shall meet. The Board of Directors shall hold at least four meetings annually in a fiscal year. It is not permissible to let the period of four months pass without holding a meeting. A meeting is not validly constituted unless attended by at least one third of the members (in person or by proxy). The resolutions of the Board of Directors are taken by a majority of two thirds of those members present or represented.

Audit Committee

The Board of Directors shall form an Audit Committee consisting of at least three members and not more than five members who should be non- executive and in majority shall not be Board of Directors' members (as the Saudi Arabia Monetary Agency, the Ministry of Commerce and Industry and the Capital Market Authority may decide in this regard).

Remuneration of the Board of Directors

The Chairman of the Board of Directors shall receive a remuneration for his services in the amount of one hundred and eighty thousand Saudi Riyals (SR180,000) annually. Members of the Board of Directors shall each receive a remuneration for their services in the amount of one hundred and twenty thousand Saudi Riyals (SR120,000).

In addition, the Chairman and members of the Board of Directors shall each receive an amount of three thousand Saudi Riyals (SR3,000) for attending each Board meeting.

The Company shall also pay to the Chairman and members of the Board the actual expenses associated with their attendance of the Board or Executive Committee meetings, including travel, residence and accommodation expenses.

However, under all circumstances, the total payments made to the Chairman and Board members shall not exceed 5% of the Company's net profits. The Company shall ensure that all written details of the proposed remunerations and considerations will be presented to shareholders prior to the General Assembly meetings at which such remunerations and considerations shall be put to voting. The General Assembly shall approve conditions of granting such remunerations and considerations, provided the concerned Board members or any senior executive officers shall not have the right to vote on such resolutions.

General Assembly

The duly constituted General Assembly represents all Shareholders and shall be held in the city where the head office of the Company is located. Each subscriber, regardless of the number of shares held, shall have the right to attend the Constituent General Assembly, either in person or by proxy. Each shareholder holding twenty (20) or more shares shall have the right to attend the General Assembly, and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/its behalf.

Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of the Companies Regulations. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within 30 days in the same manner provided for in the preceding Article. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

Voting Majorities

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority vote of the shares represented thereat. However, if a resolution relates to valuing in kind or preferential shares, a majority of the subscribers of cash shares is needed such that they represent at least two thirds (2/3) of the mentioned shares after discounting the shares subscribed to by those given in kind shares or those benefiting from preferential shares – such subscribers shall not have a vote in these resolutions, even if they also own cash shares. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefore under these By-laws or merging the Company with another company or establishment, or otherwise amending these By-laws then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

Appointment of Auditors

The General Assembly shall appoint two (2) auditors annually from among the auditors licensed to work in the Kingdom of Saudi Arabia. The auditors' compensation shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditors.

Access to Records

The Auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check the Company's assets and liabilities.

Auditor's Report

The auditor shall submit a report to the General Assembly Annual Meeting which includes the Company's status in providing the requested information, its opinion as to whether the Company's accounts conform to the facts and whether it has discovered any violations of the Bylaws or the Companies Regulations.

Financial Year

The Company's fiscal year commences on the first of January of each year and ends on the end of December of the same year.

Annual Accounts

The Board of Directors shall prepare at the end of each fiscal year an inventory of the value of the Company's assets and liabilities as that date; the Company's financial statements and a report on the Company's activities and financial position for the preceding year. The report shall include the method proposed by the Board for the distribution of net profits for that financial year and shall be ready within a period not exceeding forty (40) days after the end of the annual financial period to which they relate. The Board of Directors shall place such documents at the disposal of the Auditors at least fifty five (55) days prior to the date set for convening the Ordinary General Assembly. The Chairman of the Board shall sign the said documents and they shall be placed at the disposal of the shareholders in the Company's head office at least twenty-five (25) days prior to the date set for the Ordinary General Assembly. The Chairman of the Board of Directors shall publish in a newspaper circulated in the city where the head office of the Company is located, the financial statements and a comprehensive summary of the Board of Directors' report and the full text of the Auditors' Report, and shall send copies of such documents to the Companies Department at the Ministry of Commerce and Industry and the Capital Market Authority at least twenty-five (25) days prior to the date set for convening the Ordinary General Assembly.

Insurance Accounts

The insurance operations accounts shall be kept separate from the Shareholders' income statement, according to the following details:

- An independent account shall be dedicated to earned premiums, reinsurance commissions and other commissions;
- An independent account shall be dedicated to compensation incurred by the Company;
- There shall be determined at the end of every year the total surplus which represents the total premiums and compensation less marketing and administrative, and operational expenses and the necessary technical provisions in accordance with the directives in this regard;
- Net surplus shall be determined by: adding to, or subtracting from, the total surplus in paragraph (3) above, the policyholders' investment return share after calculating the policyholders' earnings and deducting what they owe in expenses realized; and
- Net surplus shall be distributed as follows: ten percent (10%) directly to the Policyholders and carrying over the balance to the Shareholders' income statement.

Shareholders' Income Statement

The Shareholders' profits from the investment of their funds shall be in accordance with the rules set by the Board of Directors. The share of the Shareholders in the net surplus shall be as set forth in paragraph (5) noted directly above.

Distribution of Annual Profits

Shareholders' profits shall be distributed as follows:

- Zakat and tax allocations are to be withheld;
- Twenty percent (20%) of the net profits shall be set aside to form a statutory reserve. Such setting aside shall be discontinued when said reserve totals the entire paid-up capital;
- The Ordinary General Assembly may, upon request of the Board of Directors, set aside an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly;
- Out of the balance of the profits, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) of the paid-up capital;
- The balance shall be distributed among the Shareholders as an additional share of the profits or transferred to retained profits account;
- By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection (4) above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

Company Losses

If the Company's losses total three-quarters of its capital, then the members of the Board shall call the Extraordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified in the Company's Bylaws. In all cases the Assembly's resolution shall be published in the Official Gazette.

Dissolution and Winding up of the Company

The Company shall expire upon the expiry of its term in accordance with these By-Laws or by reason of the provisions of the Companies Regulations. If the Company is dissolved prior to the time set for the expiry of such duration, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and remuneration. The powers of the Board of Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidators are appointed. The Company's administrative departments shall retain their respective powers to the extent that they do not interfere with the powers of the liquidators.

10. Legal Information

10.1 Date of Incorporation

The Company is registered in Saudi Arabia under Commercial Registration Number 1010235601 pursuant to the Ministerial Resolution No. 142 dated 8/6/1428H (corresponding to 24/62007G) and in accordance with Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G).

10.2 The Company's share capital

The share capital of the Company is currently SR 100,000,000 consisting of 10,000,000 shares with a nominal value of SR 10 each, all of which are fully paid, and including 6,900,000 shares issued by the founding shareholders against cash contributions (69% of the capital) and 3,100,000 shares (31%) offered for public subscription. The Company did not give any preferential benefits to the founding shareholders or to any other person.

The Company intends to increase its capital by SR 100,000,000. Following completion of subscription in the new shares, as per this Prospectus, the issued capital will reach SR 200,000,000 divided into 20,000,000 cash shares with a nominal value of SR 10 each.

10.3 Main offices

Table (42) – The Company's Main Offices

Office	Address	Telephone & Fax
Head Office- Riyadh	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh - KSA P.O. Box 3540, Riyadh 11481	Tel: 966 (1) 874 9700 Fax: 966 (1) 8749799
Riyadh Branch	Khorais Road, Al Khaleej Bridge, Malaz – Riyadh - KSA P.O. Box 3540, Riyadh 11481	Tel: 966 (1) 874 9700 Fax: 966 (1) 8749799
Jeddah Regional Office	Suite 102, 1st Floor, Ewan Center, Ibrahim Juffali Street, Andalus District, Jeddah, KSA	Tel: 966 (2) 2832444 283 2589 Fax: 966 (2) 283 0022
Jeddah Branch	Suite 33, 3rd Floor, Khayyat Tower, Madina Road Northbound Sharafiya District, Jeddah, KSA	Tel: 966 (2) 6678123, 669 2059 Fax: 966 (2) 663 2576
Madinah Branch	Qurban Street, Al Maimani Building, 6th floor, Medina, KSA	Tel: 966 (4) 8674111 Fax. 966 (4) 867 2111
Dammam Regional Office	Business City Building, King Abdelaziz Street, KSA	Tel: 966 (3) 8315600 to 8315606 Fax: 966 (3) 8315609
Khobar Branch	Al-Salah Tower, Office G107, 28th Street (Pepsi Road) Behind Banque Saudi Fransi Regional Office	Tel: 966 (3) 8679454, 8675230 / 867 2256 Fax: 966 (3) 867 8441
Al-Hassa Branch	Al Bustan Mall, Al Thoraiyat Road, Al-Hassa, KSA	Tel: 966 (3) 5825400 Fax: 966 (3) 582 8118

10.4 Properties leased

Table (43) – Properties Leased by the Company

Subject matter	Territorial Cover	Term	Annual Lease (SR)
1- Lease of West side of Al Safwa Commercial Center, Khorais Road, Al-Khalej Bridge.	Riyadh	Five Hijri years automatically renewed for similar periods, starting from 2008.	SR 2,000,000
2- Lease of office space located at Ewan Center, Ibrahim Al-Jaffali Street	Jeddah	Yearly renewed contract for the period of 4 years, starting from 2008.	SR 177,500
3- Lease of office space no. 33 located in the third floor in Al Khayyat Commercial Tower in Jeddah	Jeddah	Five years automatically renewed for similar periods, starting from 2008.	SR 120,000
4- Lease of office space located at qurban Al Talea Street.	Madinah	Monthly renewed policy	30,000

5- Lease of Unit no. 101 in the first floor in the Business City Complexe located in Dammam, King Adbul Aziz street, of a total area of 2,353.40 sq m.	Dammam	Five years automatically renewed for similar periods, starting from 2008.	SR159,030
6- Lease of Suite G #107 of the Building located in Al Salah Building on Prince Faisal Ben Fahd Building	Khobar	Three years automatically renewed for similar, starting from 2008.	SR 205,800
7- Lease of Units 58, 59 279, 280, 642. Al Bustan Mall – Al Thoraiyat Road. Al-Hassa.	Al Hassa	One year automatically renewed for similar periods, starting from 2009.	SR 164,000

10.5 Employment

10.5.1 Saudi Employment Contracts

The Company has designed standard employment contracts for its Saudi employees of a term of twelve month renewable for an additional period of twelve months. This standard employment contract is governed by standard employer-employee terms and conditions.

10.5.2 Non-Saudi Employment Contracts

The Company has designed a standard employment contract for its Non-Saudi employees for a term of twelve months renewable for an additional period of twelve months. This standard employment contract is governed by standard employer-employee terms and conditions.

10.6 Insurance Policies

The Company entered into the following insurance policies related to its properties and employees:

- Property All Risks Policy No. RH/F/1640 covering its various leased properties.
- Medical Insurance Policy No. MDX/10892 covering its employees as per Council of Cooperative Health Insurance terms.
- Motor Fleet Insurance covering its owned vehicles (9 vehicles).

10.7 Reinsurance

Pursuant to the Law on the Supervision of cooperative insurance companies and its Implementing Regulations, the Company is required to retain at least 30% of their total premiums and reinsure at least 30% of its total cessions within Saudi Arabia subject to local reinsurance support being available. In order to balance its risks exposure and protect its capital, the Company has entered into reinsurance agreements with reputable reinsurance companies, namely: Allianz Re Dubai Branch, Swiss Re, Hanover Re Takaful BSC and Mapfre. For reinsurance needs in excess of its automatic capacity, the Company is also using the services of first class reinsurers in line with the minimum standards of SAMA as well as a security list regularly updated by Allianz Group.

10.8 Claims

The Company's BOD and management confirm that, as of the date of this Prospectus, the Company is not party to any litigation or claim that may have a material adverse effect on the Company's business or financial position. However, the Company has received insurance claims related to insurance contracts issued by the Company for its customers and not yet settled. These insurance claims are currently being processed and are unlikely to have a material adverse effect on the Company's business or financial position. To the best of their knowledge, the Company's Board of Directors and management also confirm that there is no existing or threatened claim or litigation against the Company.

10.9 Related party agreements

The Company has entered into an agreement with Banque Saudi Fransi for the provision of standard and non-standard IT service and problem solving support including inter alias communications and networking as well a IT recovery centre, e-mail and domain services. The services also include the provision of service level reports and summaries and desk services.

Fees and expenses:

- Licensing and Maintenance: SR 72,000 per year, (payable monthly).
- Technical support: SR 1,500 per man day. (payable monthly based on an estimation of 20 days per year adjustable at the end of each year)
- Management fee: 5% on above.

10.10 Material Contracts

10.10.1 Founders Agreement

The founding shareholders of the Company, namely the Banque Saudi Fransi, AGF International and SNA Holding (Bermuda) Ltd have entered on 10/10/2004G into a Founders Agreement governing their relationships with respect to the Company.

The main contractual provisions are as follows:

(1) Parties' Obligations:

- The Banque Saudi Fransi commits to:
  - Support the Company by giving it the opportunity to cover its insurance needs, including insurance coverage for branches, offices and agencies, on a right of first refusal basis.
  - Provide the Company with access to BSF's corporate customer base during the incorporation period, in accordance with confidentiality rules.
  - The Company commits to provide all bancassurance's activities in the country to BSF on exclusive basis; and BSF undertakes to exclusively use the Company for all its bancassurance's needs, except for insurance contracts entered into between BSF and AGF Group as long as they remain valid and are renewed in accordance with their terms.
  - If the Company decides to market its products through other points of sale, it shall first submit these products to BSF, subject to the same conditions; and BSF will then have a priority right to market these products through its distribution network for 15 days from the date of receipt of such products.
  - AGF International and SNA Holding (Bermuda) undertake to support the Company by providing its senior executives, training the Company's staff and offering consultancy services in R&D, computer and information, marketing, investment and management to the Company.

(2) Transfer of Assets and the insurance portfolio previously booked by Insaudi:

- The parties agreed to transfer all the assets and the insurance portfolio previously booked by Insaudi to the Company as soon as it starts its operations. The portfolio will be assessed by an international independent auditing company. The transaction will take place on arms length commercial basis and will not ensure the personal interest of any of the parties.

(3) Company's Management:

The Company will be managed by a Board of Director appointed by the Bank Saudi Fransi, AGF International and SNA Holding (Bermuda) Ltd, in addition to independent members.

- The Chairman will be chosen from amongst the members nominated by Banque Saudi Fransi.
- The Board of Directors will choose a managing director from the Board members who shall be a member chosen by AGF/SNA and approved by BSF. The Managing Director will appoint the Company's senior officials, subject to BOD's approval.
- The Board of Directors will choose an administrative committee of three (3) members to supervise the Company's operations and prepare progress reports for the Board. BSF will appoint two (2) members of this committee and AGF will appoint one (1) member.
- The Board of Director will not have a quorum unless attended by at least five (5) members of the Board, including one member representing BSF and one representing AGF/SNA. The decisions shall be taken by the majority of the members present in person or represented.

(4) Company's important decision that must be taken unanimously by the Board members appointed by BSF, AGF and SNA and/or unanimously by the three shareholders, BSF, AGF and SNA, are as follows:

- Amendment of the Company's bylaws;
- Acquisition of or merger with other companies or businesses;
- Issuance of transferrable shares;
- Creation and liquidation of affiliate companies;
- Increase or decrease of capital;
- Issuance of guarantees, except in the ordinary course of business;
- Creation and amendment of mortgages and encumbrances, except in the ordinary course of business;
- Issuance or assumption of any debts for a period exceeding six months, except in the ordinary course of business;
- Approval of the annual work plan and budget;
- Appointment and removal of BOD members and the Managing Director;
  Changing the nature of the business;
- Approval of the Company's strategic orientations;
- Assignment or sale of all or part of the Company's business or assets;
- Approval of extra-budgetary operations and contracts;
- Entering into and terminating any contracts between the Company and any of its shareholders, any companies owning the shareholders or owned by them;
- Appointment and dismissal of auditors;
- Approval of annual financial statements and distribution of annual profits.

(5) Preemptive rights: if a party intends to pledge any of its shares in the Company, the other party shall have a preemptive right pursuant to the following terms:

- In case the shares are transferred to a non-affiliated company, the founders may purchase the sold shares pursuant to the preemptive right.
- In case the founding shareholders do not purchase the sold shares pursuant to the preemptive right, they may (but have no obligation to) request a third party to purchase them (accessory right).

(6) Option to buy or sell in case of disagreement:

In case of a fundamental disagreement between the parties that cannot be resolved at the level of the Board or the general assemblies, each party may submit an offer to buy the other party's shares at no less than the offer price of the net assets as of the date of the last financial statements. The party who presented the highest offer shall have the obligation to buy the shares of the other party.

(7) No competition:

The parties undertake not to directly or indirectly compete with the activities of the Company, knowing that the existing contracts between BSF and AGF International for the development of bancassurance activities will continue to be in force.

(8) Duration of the Agreement:

The agreement remains in force as long as BSF on the one hand, and AGF International/ SNA Holding (Bermuda) Ltd on the other, each holds at least 25% of the Company's shares. Either party may terminate the agreement in the event of insolvency of any party or if the controlling shareholder of any of the parties is changed and replaced by a competitor of the Company.

10.10.2 InSaudi Portfolio Transfer Agreement

The Company has entered on 30 December 2008G with InSaudi Insurance Company BSC, a Bahrain Joint Stock Company licensed to carry out insurance activities, into a Portfolio Transfer Agreement in which InSaudi Insurance Company agreed to transfer to the Company its insurance portfolio in the Kingdom of Saudi Arabia (all in force insurance policies and outstanding claims along with the related assets and liabilities evaluated on 31 December 2008 in accordance with SAMA regulations by the appointment of an independent account auditor and actuarial expert). The parties have already obtained SAMA's prior approval on 26/11/2008G.

The Parties have agreed that the insurance portfolio will be transferred subject to no goodwill and that the value of assets to be transferred will equal the value of transferred liabilities. These liabilities and assets will be evaluated by an auditor and an actuarial expert on 31/12/2008.

This agreement is subject to obtaining the necessary approvals from competent government agencies and the Company's General Assembly to be held on 18/1/2009G. As soon as these approvals are obtained, the portfolio will be considered to have been transferred on 1/1/2009G.The Actuarial evaluation and auditor's report provide that:

Total assets transferred: SR 95.8 million; and

Total liabilities transferred: SR 95.8 million

10.10.3 Bancassurance Distribution Agreement

The Company entered on 7 April 2009G into a distribution agreement with Saudi Fransi Insurance Products Selling Company LLC, an insurance product distributor (insurance agent) licensed by the Saudi Arabian Monetary Agency and a subsidiary of Banque Saudi Fransi. This agreement aims at selling the Company's products in the Kingdom through the Saudi Fransi Insurance Products Selling Company's distribution network and, through other distribution networks, to the customers of Banque Saudi Fransi and other customers as agreed between the parties and to the extent permitted by the laws and regulations in force.

Pursuant to this agreement, the following products will start to be distributed:

- Insurance Plans (Al Ghad, Al Anjal, Takaful Al Ghad and Takaful Al Anjal); and
- Protection Plans

Upon signature of this Agreement, the Parties will establish a committee of four (4) members with Banque Saudi Fransi. This committee shall be responsible for all matters relating to the implementation of this Agreement. An "Insurance Manager" will also be appointed for all matters which are beyond the jurisdiction of this committee.

The Saudi Fransi Insurance Products Selling Company will work on the development of promotional ideas while the Company provides the necessary regulatory approvals from SAMA and makes sure that the promotional ideas comply with the insurance products' specifications and the applicable regulations. Before any of these promotional ideas is published or presented to the public, the prior written approval of the Committee must be obtained.

The Saudi Fransi Insurance Products Selling Company will also sell the Company's insurance products through its distribution network. The objectives of the sale will be agreed with the committee. The Saudi Fransi Insurance Products Selling Company will sell these products in accordance with the principles of this Agreement and pursuant to the committee's decisions.

The Agreement ensures the confidentiality of transactions and of all matters relating to the Agreement and the products. The Saudi Fransi Insurance Products Selling Company may use the Company's intellectual property rights but these rights remain the property of the Company.

Among other things, the Company guarantees that it or any of its group Company (Allianz Group) shall not enter into similar cooperation agreement or into negotiations for the promotion or distribution of insurance products in the Kingdom of Saudi Arabia with any other financial institution during the term of the Bancassurance Distribution Agreement.

The Bancassurance Distribution Agreement expires three years after its effective date. It is automatically renewed each time for a further period of three years unless one of the parties thereto gives notice of termination of the Agreement by registered mail at least 6 months before the expiry of the agreement.

10.10.4 Technical Services Agreement

The Company entered into a Technical Services Agreement with Allianz France (previously known as AGF International) whereby Allianz France is engaged by the Company to provide management technical services. These services include:

- The possible secondement of certain key employees such as the Chief Executive Officer and the Chief Financial Officer;
- Training and education of employees;
- Actuarial support, research and development;
- Process Innovation (such as online insurance);
- Organizational innovation;

- Actuarial reporting;
- Information technology (Back office systems, Front office systems, communication systems); and
- Sales training, support and monitoring.

The initial term of the Technical Services Agreement is to 31 December 2010G. It is automatically renewed at the end of the initial term for a further period of five years unless either party gives the other party not later than six months before the end of the initial term or any subsequent term of non-renewal of the agreement at the end of the initial or subsequent term.

The compensation of Allianz France as of the year 2009 is the yearly amount of Euros 300,000 for the first three years and Euros 200,000 thereafter. In addition, the Company shall reimburse Allianz France for all third party and out of pocket expenses resulting from its execution of the technical services agreement and the performance of the services.

10.10.5 Contract for Actuarial Consulting Services

This Contract was entered into between Allianz Saudi Fransi and Sidat Hyder Morshed Associates, External Consultant actuarial consulting registered in Pakistan, on 1 August 2007 to provide the following services:

Annual actuarial valuation as at December 31st;

Review of design, pricing and certification of up to three new products and ten riders; and

Other actuarial queries or information on re-insurance/retakaful, underwriting, review of implementation of systems.

This Contract expired on 31 December 2008 and was renewed for a further year ending on 31st December 2009 between the parties, and the Company is currently working on its renewal.

10.10.6 Agreement with Shariah Advisory Committee

The Company entered into an agreement with a Shariah Advisory Committee composed of three members.

The Agreement with the Shariah Advisory Committee sets out the objectives and the mission of the Committee as follows:

- Appraise and draft the transactions and agreements and relations between the Company and its clients in accordance with the principles of Islamic Shariah and ensure that the business of the Company is compliant with Shariah.
- Prepare reports and issue opinions towards the compliance with Islamic Shariah and prevent any Shariah breach by reviewing all the agreements and understandings between the Company and its clients or other companies and recommend as it sees appropriate.
- Discuss, amend, and approve all the documents of the Company and its products to ensure their compliance with Islamic Shariah.
- Monitor the performance of the Company from Shariah perspective including the suitability of the agreements and their compliance with Shariah.
- Direct the board of directors of the Company and its employees on how to transact in accordance with Shariah.
- Provide the Shariah consultation as requested by the Company.
- Review agreements and contracts signed between the Company and third parties.

Each member of the Shariah Advisory Committee will receive SR30,000 annually and SR 5000 for each meeting attended. Travel and accommodation expenses will also be reimbursed by the Company.

10.11 Trademarks, Patents and Other Intellectual Properties

The Company has no Trademarks, Patents and Other Intellectual Properties other than its commercial name "Saudi Fransi Cooperative Insurance Company" and a trademark that is currently under registration at the Ministry of Commerce and Industry which is the following:

Please note that the Company has decided to change its name from the "Saudi Fransi Cooperative Insurance Company" to "Allianz Saudi Fransi for Cooperative Insurance" and the Company obtained the Agency's no-objection on that. Legal procedures related to the change of name are still ongoing.

10.12 Representations of Board's Members

Financial Statements:

- The Members of the Board represent that the financial information presented in this Prospectus has been taken from the audited financial statements of the Company without any material amendment being made thereto, and that the financial statements have been prepared in accordance with international accounting standards for financial reporting.

- Apart from the cumulative losses described in this Prospectus, the Company's Board of Directors represent that there is no material adverse change in the financial and commercial situation of the Company.

Bankruptcy and direct or indirect interests:

- The Members of the Board represent that neither of them, the senior management members, the senior executives or the secretary has declared bankruptcy at any time and was subject to bankruptcy proceedings.

- Apart from the ownership of senior management members as described in this Prospectus, the Board of Directors represent that neither of its members, senior managers, senior executives or secretary has a direct or indirect interest in the shares of the Company.

Commissions, discounts or brokerage fees:

- The Board members represent that no commissions, discounts, brokerage fees or non-cash compensations were given by the Company or any member of its group, in the two years immediately preceding the date of submission of its listing application, in relation to the issuance or sale of any securities to any of the Board members or suggested members, senior executives, promoters or experts.

- Material changes and interruption of work:
  - The Board members represent that there was no interruption of work that could affect or that has significantly affected the Company's financial situation in the past twelve months.
  - The Board members represent that there is no intention to significantly change the nature of the Company's activity, as described in this Prospectus.

Working Capital:

- The Company reviewed the expected cash flows requirements and believes that it will have sufficient working capital for the twelve months immediately following the date of issuance of this Prospectus.

Activities outside Saudi Arabia:

- The Members of the Board represent that the Company has no business or assets outside the Kingdom of Saudi Arabia.

Miscellaneous representations:

- Pursuant to the Company's bylaws and the other constitutional documents, the Board of Directors represent that:

There is no power granting a member of the Board or the Chief Executive the right to vote on a contract or proposal in which he has a material interest.

  - There is no power granting a member of the Board or the Chief Executive the right to vote on their remunerations.
  - There is no power that authorizes a member of the Board or a senior executive to borrow from the Company.
  - The Members of the Board represent that they fully abide by the provisions of Article 69 and Article 70 of the Companies Law.

The Members of the Board represent that they fully abide by the provisions of Article 18 of the Corporate Governance Law.

11. Capitalization and Indebtedness

Table (44) clarifies the Company's Capitalization and Indebtedness:

	Capitalization and Indebtedness
(SAR (000	As at 31 December 2009
Claims of Insurance Operations	
End-of-service compensations to employees	1,733
Unearned premiums	156,156
Mathematical reserve	33,834
Outstanding claims	46,027
Unearned commission income	1,732
Reinsurance balances payable	84,328
Accrued expenses and other liabilities	18,202
Due to an affiliate	29,944
Total Insurance Operations Liabilities	**371,956**
Shareholders Liabilities and Equity	
Amounts outstanding for insurance operations	24,873
Outstanding expenses and other creditors	3,323
Outstanding Zakat	492
Total Shareholders' Liabilities	28,688
Total Liabilities	400,644
Shareholders' Equity	
Issued Capital	100,000
Accumulated Losses	(57,083)
Unrealized loss/profits from investments available for sale	(142)
Total Shareholders' Equity	(42,774)
Total Capitalization and Indebtedness	(443,418)

Source: audited financial statements

There is no issued or existing instrument, declared and not yet issued instrument, or any term loans which is covered or not covered by either a personal guarantee or a mortgage at the date of this Prospectus.

The Company has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit, or lease purchase obligations, which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus.

There are no mortgages, rights or encumbrances on the properties of the Company as at the date of this Prospectus.

The Company has no contingent liabilities or guarantees as at the date of this Prospectus.

The Company has not amended its capital for the past three years from the date of this Prospectus.

The Company has reviewed the likely cash flow requirements of the business for the next 12 months and is of the opinion that the Company will have sufficient working capital funds during this period.

11.1 Capital Structure

The share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares with a nominal value of SAR 10 each, all of which are fully paid, and including 6,900,000 shares issued by the founding shareholders and representing 69% of the capital. The remaining 3,100,000 shares (31%) were offered for a public subscription, which took place between 27/Sifr/1428H (corresponding to 17/March/2007G) and 7/Rabi Awwal/1428H (corresponding to 26/March/2007G) at an offer price of SAR 10 per share.

Shareholder	Percentage	Number of Shares	Value (SR)
Banque Saudi Fransi	32.5%	3,250,000	32,500,000
Allianz France	16.25%	1,625,000	16,250,000
Allianz MENA Holding Bermuda	16.25%	1,625,000	16,250,000
Mohammed Ali Aba Al Khail	2%	200,000	2,000,000
Omran Mohammed Al Omran	2%	200,000	2,000,000
Public	31%	3,100,000	31,000,000

Source: Allianz- Saudi Fransi

Board Members represent that the Company's capital is not under any option and that the Company did not give any privileges or preferential rights to the founding shareholders or to any other person.

In its meeting held on 3/2/1431H (corresponding to 18/1/2010G), the Company's Board of Directors has recommended increasing the share capital of the Company through rights offering for a total amount of SR 125,000,000 (one hundred twenty five million), after obtaining all necessary regulatory approvals. On 18/04/1431H (corresponding to 03/04/2010 G), the EGM approved the Company's recommendation to increase the share capital of the Company as indicated and the IPO herein described will be limited to the Qualifying Shareholders.

(The Company received a letter of intent from Banque Saudi Fransi affirming their intention to fully exercise their rights to subscribe to 3,250,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 32.5% of the total of the New Shares).

(The Company received a letter of intent from Allianz France International (previously known as AGF International) affirming their intention to fully exercise their rights to subscribe to 1,625,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 16.25% of the total of the New Shares).

(The Company received a letter of intent from Allianz Holding affirming their intention to fully exercise their rights to subscribe to 1,625,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 16.25% of the total of the New Shares).

(The Company received a letter of intent from Mohammad Aba Al Kheil affirming their intention to fully exercise their rights to subscribe to 200,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 2% of the total of the New Shares).

(The Company received a letter of intent from Omran Mohammad Al Omran affirming their intention to fully exercise their rights to subscribe to 200,000 shares of the New Shares, representing its share in the Rights offered for subscription based on the number of shares they hold on the Record Date, which represent 2% of the total of the New Shares).

12. Underwriting

12.1 Underwriter

Calyon Saudi Fransi (the "Underwriter") has undertaken to underwrite 10,000,000 shares representing 100 % of the Offering.

12.2 Summary of Underwriting Arrangement

Under the terms and subject to the conditions contained in the Underwriting Agreement between the Company and the Underwriter:

a) The Company undertakes to the Underwriter that on the Closing Date (as defined in the Underwriting Agreement) it will issue and allocate to the Underwriter any New Shares that are not subscribed for, if any, at the Offer Price;

b) The Underwriter undertakes to the Company that it will on the Closing Date purchase the number of the New Shares not subscribed for, if any, at the Offer Price.

The Company will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Company will pay to the Underwriter fees, costs and expenses in connection with the Offering.

13. Description of Shares

Share Capital

The share capital of the Company is SR 100,000,000 consisting of SR 10,000,000 shares, at a nominal value of SR 10 per share, all of which are ordinary cash shares.

Founding Shareholders subscribed in 6,900,000 shares and paid their value in full. The remaining shares, i.e. 3,100,000 shares were offered for public subscription.

After obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares of the same nominal value as the original shares, provided that the original shares have been paid in full, with due consideration to the requirements of the Companies Regulations, CMA Law and Law on Cooperative Insurance Companies and its Implementing Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original shareholders who applied for more shares than held by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. Any remaining new shares shall be offered for public subscription.

The Company may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry, CMA and SAMA. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Ordinary Shares

The shares shall be nominal shares and may not be issued at less than their nominal value. However, shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the Statutory Reserve, even if the reserve has reached its maximum limit. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they must select one of them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share. The transfer of Shares shall be governed by and comply with the regulations governing companies listed on Tadawul. Transfers made other than in accordance with such regulations shall be void.

Rights of the Holders of Ordinary Shares

According to Article 108 of the Companies Regulations, A Shareholder shall be vested with all the rights attached to shares, specifically the right to obtain a share in the profits declared for distribution, the right to obtain an equity in the Company's assets upon liquidation, the right to attend Shareholder meetings and participate in the deliberations and vote on the resolutions (proposed) thereat, the right to dispose of his shares, the right to access to the Company's books and documents, and the right to control the acts of the board of directors, to institute the action in liability against the directors, and to contest the validity of the resolutions adopted at Shareholders meetings.

General Meetings of Shareholders

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located.

The Shareholders General Assemblies are either Ordinary or Extra-Ordinary. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

The Extraordinary General Assembly shall have the power to amend the Company's Articles of Association, except for such provisions as may be impermissible to be amended under the Regulations. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette, and in a daily newspaper circulated in the city where the Company's head office is located at least twenty-five (25) days prior to the time set for such meeting.

Any subscriber, regardless of the number of shares he holds, shall have the right to attend the meeting of the Constituent General Assembly, and any subscriber who holds at least 20 shares shall have the right to attend the meetings of the shareholders General Ordinary and Extra-Ordinary Assemblies.

The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least half of the Company's Capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following thirty (30) days of the previous meeting. Such notice for the meeting shall be published in the same manner described above. The second meeting shall be deemed valid irrespective of the number of shares represented.

As for the Extraordinary General Assembly, it shall not be deemed valid unless attended by Shareholders representing at least fifty per cent (50%) of the Company's Capital. If such quorum is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as valid if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The General Assembly shall appoint a secretary for the meeting and a vote canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, personally or on behalf of, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the vote canvasser.

Transfer of Shares

Trading in shares shall be governed by regulations applicable to Tadawul Listed Companies, and any trading that does not comply with such regulations shall be deemed void. According to Article 38 of the Implementing Regulations of the Law on Supervision of Cooperative Insurance Companies, the Company shall notify SAMA of the percentage of ownership of any person who owns five percent (5%) or more of the Company through a quarterly report. The Founding Shareholders shall be subject to the restriction of not disposing their shares for three full fiscal years, each consisting of not less than 12 months as of the date of establishment. Following the restriction period, Founding Subscribers must obtain CMA's approval prior to selling any shares.

Any person owning five percent (5%) or more of the Company's shares shall notify the Agency in writing of his percentage of ownership and any changes thereof within 5 working days of the date of occurrence of such an event.

Voting Rights

Each Shareholder owning twenty (20) shares (or more) shall have the right to attend the General Assemblies, and each Shareholder may authorize in writing another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/her behalf. Any subscriber may attend the meeting of the Constituent General Assembly, regardless of the shares he holds. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented there at. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry date specified under the Company's Articles of Association or merging the Company with another company or organization, then such resolution shall be valid only if adopted by a majority of three-quarters of the shares represented at the meeting.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the members of the Board and the Auditor in this respect. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that does not jeopardize the interest of the Company. Should a Shareholder consider the reply unsatisfactory, he can resort to the General Assembly whose resolution will be considered final.

14. Distribution Policy

Dividends may be distributed by the Company from its annual net profit and will be calculated from the Company's net profit after providing for policyholder's share of profit. However, prior to the payment of dividends, the Company is required to deduct twenty (20%) percent of the net profit and allocate such amount to statutory reserves. The Ordinary General Assembly may discontinue said deduction when it amounts to half of the Company's paid-up capital.

Any declaration of dividends will be dependent upon the Company's earnings, its financial condition, the condition of the markets, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, and the effect of such dividends on the Company's Zakat position, as well as other legal and regulatory considerations.

The distribution of dividends is subject to certain limitations contained in the Company's ByLaws (See "Summary of the Company's Bylaws" section). The New Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and subsequent fiscal years.

15. Subscription Terms and Conditions

Qualifying Shareholders must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form, as the execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

15.1 Subscription to the New Shares

Qualifying Shareholders wishing to subscribe to the New Shares must submit a Subscription Application Form during the Offering Period. Subscription Application Forms can be obtained from any of the following Receiving Banks (Banque Saudi Fransi, Samba financial group, SABB bank, The National Commercial Bank and Riyadh bank) or from the Lead Manager: Calyon Saudi Fransi Limited.

Qualifying Shareholders who have not subscribed to the Offering will not be granted any benefits or privileges for their Rights. However, they will keep ownership of the same number of Existing Shares.

Each Qualifying Shareholder must agree to the terms and conditions and complete all sections of the Subscription Application Form. If a submitted Subscription Application Form is not in compliance with the terms and conditions, the Company shall have the right to reject, in full or in part, such application and the applicant shall accept any number of New Shares allocated. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Lead Manager, the Subscription Application Form will be considered void. Any amendment or withdrawal of a Subscription Application Form is not permitted, and once the Company accepts it, it becomes a binding contract between the applicant and the Company.

15.2 Completing the Subscription Application Form

Qualifying Shareholders must specify the number of the New Shares they are applying for in the Subscription Application Form, along with the total amount payable for the New Shares ("Subscription Monies"). Each Qualifying Shareholder has the right to apply for one Offer Shares for each Existing Share held as at the end of trading of Tadawul on the date of the EGM which approved the offer of new shares. Qualifying Shareholders may apply for additional New and may be allocated the New Shares that have been not applied for by the other Qualifying Shareholders. The New Shares which have not been subscribed for by Qualifying Shareholders will be allocated pro-rata to the other Qualifying Shareholders who applied for additional New Shares. The remaining New Shares, if any, will be purchased by the Underwriter.

15.3 Qualifying Shareholders who do not subscribe for the New Shares

Qualifying Shareholders who do not subscribe for the New Shares will be subject to a fall in the percentage of their ownership in the Company and the value of the shares they currently hold. As per CMA instructions and in accordance with its requirements, Qualifying Shareholders who do not subscribe for all or part of the New Shares may receive compensation, if any, to be calculated as shown below and they will keep the shares they have been holding before subscription. If the highest price demanded is equal to the offer price, Qualifying Shareholders who do not subscribe for the New Shares will not get any compensation for not subscribing for the New Shares. The compensation amount ("Compensation Amount") (if any) for shareholders who do not subscribe for New Shares will be calculated as follows:

- Proceeds of Subscription for Additional Shares
  New shares not subscribed for by Qualifying Shareholders by the close of trading for the Company's Shares before the EGM on 18/4/1431H (corresponding to 3/4/2010G) will be allotted to the Qualifying Shareholders who subscribed for a number of Shares more than the number they deserve on condition that they subscribe in all the Shares they deserve and for the price specified in the Application Form.
- Allocation priority in such a case will be for the Qualifying Shareholders who requested additional Shares for the highest price. Amounts received from subscription for such Shares (after deduction of the Offer Price that will go to the Company and the administrative expenses) will be the amounts to be distributed to the Qualifying Shareholders who do not subscribe.
- Compensation Amount
  Compensation per Share will be calculated by dividing the compensation amount (after deduction of the Offer Price that will go to the Company and the administrative expenses) by the total number of Shares not subscribed for by the Qualifying Shareholders. The compensation per share will thus be determined and paid to the Qualifying Shareholders who did not subscribe for all or part of the Shares he deserves.

15.4 Subscription In Additional Shares

Qualifying Shareholders may, at the Record Date, subscribe for those additional Shares that were not subscribes for by the Rights Issue.

The price of the subscription in these additional Shares will be as follows:

1. The Offer Price;
2. The Offer Price plus an amount equal to thirty percent of the difference between the Company's Share price at the end of the trading day preceding the EGM and the Company's Share price after the EGM, multiplied by the result of dividing the current number of Shares and the New Shares, rounded to the nearest whole number;
3. The Offer Price plus an amount equal to sixty percent of the difference between the Company's Share price at the end of the trading day preceding the EGM and the Company's Share price after the EGM, multiplied by the result of dividing the current number of Shares and the New Shares, rounded to the nearest whole number; or
4. The Offer Price plus an amount equal to ninety percent of the difference between the Company's Share price at the end of the trading day preceding the EGM and the Company's Share price after the EGM, multiplied by the result of dividing the current number of Shares and the New Shares, rounded to the nearest whole number.

The Offer Price will be as follows: SR 12.5 per share, SR 18.0 per share, SR 23.0 per share and SR 27.0 per share.

Qualifying Shareholders are not allowed to choose more than one Offer Price for each New Share.

15.5 Taking up full entitlements to Rights

Qualifying Shareholders wishing to take up all of their Rights to the New Shares must submit a completed Subscription Application Form, together with the Subscription Monies for their full entitlement and the required accompanying documents, to either a branch of one of the Receiving Banks or the Lead Managers during the Offering Period.

A Qualifying Shareholder's full entitlement is calculated by multiplying the number of its Existing Shares at the record date by (1). Partial entitlements are not applicable and any entitlement should be rounded down where necessary. The Subscription Monies payable by a Qualifying Shareholder is SR 12.5 multiplied by the number of New Shares applied for.

The New Shares which have not been subscribed for by Qualifying Shareholders on the Record Date will be allocated pro-rata to other Qualifying Shareholders registered on the Record Date who apply for additional New Shares, other than what they are entitled for by virtue of their shareholding. The remaining New Shares, if any, will be purchased by the Underwriter. Any surplus Subscription Monies will be returned after allocation of the New Shares.

If a Qualifying Shareholder does not wish to take up any of their Rights to the New Shares, then no action is required. Any New Share not taken up by a Qualifying Shareholder during the Offering Period will be either taken up by other Qualifying Shareholders or by the Underwriter.

If a Qualifying Shareholder wishes to take up some, but not all, of their entitlements, they must submit a Subscription Application Form, together with the applicable Subscription Monies and the required accompanying documents, during the Offering Period. Information on the calculation of Rights and Subscription Monies is set out above.

15.6 Accompanying documents with the Subscription Application Form

The Subscription Application Form must be submitted accompanied by the following documents, as applicable. The Lead Manager or the Receiving Banks' employees will verify all copies against the originals and will return the originals to the Applicant:

- Original and copy of the Applicant's national identification card (in the case of individuals);
- Original and copy of the Family identification card (family members) (in the case of individuals);
- Original and copy of a power of attorney (in the event of authorizing another person to subscribe);
- Original and copy of Certificate of Guardianship (for orphans) (in the case of individuals);
- Original and copy of the residency permits of non-Saudi Applicant, where relevant (in the case of individuals); and
- Original and copy of the Commercial Registration of the Juristic Person.

The Subscription Monies must be paid in full at the time of submitting the Subscription Application Form, to a branch of the Receiving Banks or the Lead Manager by authorizing a debit of the Qualifying Shareholder's account held with the Receiving Bank, pursuant to SAMA's instructions.

A proxy is limited to family members (parents and children only). If a Subscription Application Form is submitted on behalf of another person, the name of the person signing on behalf of the Applicant should be stated in the Subscription Application Form, accompanied by an original and a copy of a valid power of attorney. The power of attorney must be issued before a notary (for those who are in Saudi Arabia) or must be legalized by the Saudi Embassy or Saudi Consulate in the relevant country (for those who reside outside Saudi Arabia).

15.7 Submission of the Subscription Application Form

The Lead Manager and Receiving Banks will start receiving Subscription Application Forms at their branches throughout Saudi Arabia from 25/04/1431H (corresponding to 10/04/2010 G) to 05/05/1431H (corresponding to 19/04/2010 G). Subscription Application Forms can be submitted through a branch of the Lead Manager or the Receiving Banks during the Offering Period or through, telephone banking or Automated Teller Machines of the Receiving Banks which offered one or more of these delivery channels to those Applicants who subscribed to the Company's IPO. Further instructions are set out in the Subscription Application Form.

Once the Subscription Application Form is filled, signed and submitted, the Receiving Banks will stamp it and provide the Qualifying Shareholder with a copy of the completed Subscription Application Form.

The Qualifying Shareholders agree to subscribe for and purchase that number of New Shares specified in the Subscription Application Form submitted by the Qualifying Shareholder, for an amount equal to the number of New Shares applied for, multiplied by the Offer Price (SR 12.5). Each Qualifying Shareholder shall have purchased the number of New Shares allotted to them upon:

- delivery by the Qualifying Shareholder of the Subscription Application Form to either a branch of the Lead Manager or the Receiving Banks;
- Payment in full of the Subscription Monies (as indicated above) by the Qualifying Shareholder to the Receiving Banks; and
- Delivery to the Qualifying Shareholder by the Receiving Bank of the allotment letter specifying the number of New Shares allotted to such Qualifying Shareholder.

15.8 Acknowledgements

By completing and delivering the Subscription Application Form, the applicant:

- agrees to subscribe for the number of New Shares specified in the Subscription Application Form;
- represents and warrants that he/she has read the entire Prospectus and understands all of its contents;
- accepts the By-Laws of the Company;
- acknowledges that the Company has the right to reject any or all ineligible/incomplete application;
- keeps his/her right to sue the Company for damages caused by incorrect or incomplete material information contained in the Prospectus, or by ignoring major information that should have been part of the Prospectus and could effect the applicant's decision to purchase the New Shares;
- accepts the number of New Shares allocated to him/her and accepts all other subscription instructions and terms mentioned in this Prospectus and the Subscription Application Form; and
- undertakes not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or to the Receiving Banks.

15.9 Allocations & Refunds

The Receiving Banks shall open and operate an escrow account named "Allianz SF Rights Offering Account" in which each of the Lead Managers and Receiving Bank shall deposit all amounts received from the Qualifying Shareholders. Notification of the final allotment and refund of Subscription Monies, if any, will be made no later than 10/04/1431 H (corresponding to 24/04/2010 G).

The Receiving Banks will send confirmation/notification letters, to the applicants informing them of the final number of New Shares allocated together with the amounts, if any, to be refunded. The Receiving Banks will also refund to the applicants any monies in respect of which no New Shares have been allocated to the relevant applicants, as provided in the confirmation/notification letters. Refunds will be made in full without any charge or withholding by crediting the applicants' accounts at the respective bank. Applicants should communicate with the branch of the Receiving Banks where they submitted their Subscription Application Form for any further information.

15.10 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the applicants and their respective successors, permitted assigns, executors, administrators and heirs provided that, except as specifically contemplated herein. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The terms and conditions and any receipt of the Subscription Application Forms or contracts resulting there from shall be governed by, and interpreted and implemented in accordance with, the laws in force in Saudi Arabia.

The Prospectus has been issued in both Arabic and English Languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

15.11 Tadawul

The Saudi stock market remained informal, until the early eighties when the government embarked on forming a regulated market for trading together with the required systems. In 1984, a Ministerial Committee composed of the Ministry of Finance and National Economy, Ministry of Commerce and Saudi Arabian Monetary Agency (SAMA) was formed to regulate and develop the market. SAMA was the government body charged with regulating and monitoring market activities until the Capital Market Authority (CMA) was established on 2/6/1424H (corresponding to 8/1/2003G) under the Capital Market Law (CML) issued by Royal Decree No. (M/30). The CMA is the sole regulator and supervisor of the capital market, it issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market.

The Council of Ministers approved during a meeting held on Monday 29 Safar 1428H (corresponding to the 19th of March 2007) and headed by the Custodian of the two Holy Mosques King Abdullah Bin Abdulaziz, the formation of a Saudi joint-stock company named the Saudi Stock Exchange (Tadawul) Company. This was in accordance with Article 20 of the Capital Market Law establishing Tadawul as a joint stock company.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order to settlement. Trading occurs each business day (Saturday to Wednesday) between 11.00 am to 3.30 pm. After close of exchange trading, orders can be entered, amended or deleted until 8.00 pm (the system is not available between 8.00 pm and 10.00 am the next business day). From 10.00 am, new entries and inquiries can be made. For the opening phase (starting at 11.00 am) the system starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules. For the opening phase (starting at 11.00 am), the system starts by opening procedures, it then establishes the opening prices and determines the orders to be executed in accordance with the matching rules. In the holy month of Ramadan, different timing applies, as advised by the CMA.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limited orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, in particular, the Tadawul website and Tadawul information link. The Tadawul information link makes Tadawul accessible in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 bases, meaning that ownership transfer takes place immediately after the trade has been executed. Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

15.12 Registration in Tadawul

Application has been made to the Authority for the New Shares to be registered and admitted to the Official List of the Saudi Stock Exchange. It is expected that the registration will be approved and that dealing in the New Shares will commence on the Saudi Stock Exchange after completion of the final allotment of the Company's New Shares. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the Authority.

The Existing Shares of the Company are registered in the Official List and traded on Tadawul.

There can be no dealing with the New Shares until the New Shares have been allocated to the subscribing Qualifying Shareholders and lodged in their accounts in Tadawul. It is completely forbidden to deal with the New Shares before the final allocation. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

16. Documents Available for Inspection

The following documents will be available for inspection at Head Office of the Company in Riyadh city, Khorais Road, Malaz, during official working hours, from 8.30 a.m. to 5.30 p.m., Saturdays to Wednesdays, one week prior to and during the Offering Period:

1) By-laws of the Company.
2) Certified Commercial Registration Certificate.
3) Recommendation of the Board of Directors in relation to the Capital Increase.
4) Resolution of the Extraordinary General Assembly approving the increase in the Company's Capital.
5) Audited Financial Statements for the period from 23 June 2007G to 31 December 2009G, along with the clarifications related thereto.
6) Consent letters from the Financial Advisor and Lead Manager, Legal Advisor, Reporting Accountant and Underwriter, to include their names, logos, and any statements they provided, in the Prospectus.
7) Financial Valuation Report of the Company including the future plans.
8) Copies of the Material Contracts and agreements mentioned in the "Legal Information" section of the Prospectus.
9) SAMA's approval on capital increase
10) Market study report.

Financial Statements

For The Year Ended 31 December 2009

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

Scope of audit

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

Unqualified opinion:

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

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

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

Emphasis of a matter

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

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

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

2 Rabi Al Awal 1431H
(16 February 2010)

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

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

Statement of Financial Position
For The Period Ended 31 December 2009

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

Statement of Insurance Operations
For The Period Ended 31 December 2009

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

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

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

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

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

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

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

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

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

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

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

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

Antoine Issa
Chief Executive Officer

Ayman Hegazy
Chief Financial Officer

Notes To The Financial Statements

For the Year Ended 31 December 2009

1. Organization and Principal Activities

Saudi Fransi Cooperative Insurance Company ('the Company') is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company operates through its seven branches in the Kingdom of Saudi Arabia, employing 345 employees as of 31 December 2009. The registered office of the Company is located at Al Safwa Commercial Building, P O Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

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

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

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

2. Portfolio Transfer Agreement

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

3. Commercial Operations and Product Approval

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

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

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

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

4. Basis of Preparation

Basis of measurement

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

Statement of compliance

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

Basis of presentation

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

Functional and presentational currency

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

5. Summary of Significant Accounting Policies

The significant accounting policies adopted are as follows:

Change in accounting policies

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

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

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

New amendments and standards issued but not yet effective

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

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

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

Office equipment and furniture

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

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

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

Insurance contracts

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

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

Premiums receivable

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

Reinsurance

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

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

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

Foreign currencies

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

Investments

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

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

i - Investment at fair value through income statement

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

ii - Held to maturity

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

iii - Available for sale

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

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

Cash and cash equivalents

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

Provision

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

Liability adequacy test

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

Leases

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

Zakat and income tax

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

Segmental reporting

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

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

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

Employee end of service benefits

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

Revenue recognition

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

Reinsurance premiums

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

Fees income on insurance contracts

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

Investment income - Available for sale investments

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

Investment income - Held to maturity investments

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

Cash-settled share-based payment

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

Claims

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

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

Deferred policy acquisition costs (DPAC)

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

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

Mathematical reserve

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

Fair values

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

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

Impairment and uncollectibility of financial assets

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

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

Derecognition of financial instruments

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

Offsetting

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

Trade date accounting

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

6. Significant Accounting Estimates and Assumptions

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

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

Impairment of investments

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

Technical Reserve for insurance activities

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

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

Fair values of financial instruments

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

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

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

Impairment losses on receivables

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

Deferred policy acquisition cost

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

7. Office Equipment and Furniture

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

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

8. Outstanding claims

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

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

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

9. Deferred Policy Acquisition Costs

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

10. Unit Linked Investments

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

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

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

Market values of funds are as follows:

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

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

11. Prepayments and other Assets

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

12. Premiums Receivable, Net

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

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

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

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

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

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

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

13. Cash and Cash Equivalents

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

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

14. Statutory Deposit

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

15. Investments

Investments are classified as follows:

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

i Available for sale – quoted securities

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

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

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

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

ii Available for sale –unquoted securities

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

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

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

16. Related Party Transactions and Balances

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

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

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

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

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

17. Employees' End of Service Benefits

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

18. Unearned Premiums

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

19. Mathematical Reserve

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

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

20. Unearned Commission Income

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

21. Accrued Expenses and other Liabilities

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

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

22. Zakat and Income Tax

a) Zakat

Movement schedule in respect of zakat provision is as follows:

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

b) Income Tax

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

c) Status of Assessments

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

23. Share Capital

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

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

24. Equity Incentive Plan

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

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

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

25. Statutory Reserve

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

26. Premiums Written and Earned

For the year ended 31 December 2009 (SR)

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

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

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

27. General and Administrative Expenses

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

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

28. Risk Management

Risk management strategy

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

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

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

Risk management structure

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

a) Operational / Process Risk

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

b) Liquidity Risk

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

Maturity profile

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

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

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

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

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

c) Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

d) Interest Rate Risk

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

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

e) Currency Exchange Risk

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

f) Equity price risk

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

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

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

g) Fund Price Risk

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

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

h) Insurance Risk

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

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

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

i) Capital Management

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

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

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

j) Fair Value of Financial Instruments

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

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

29. Loss Per Share

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

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

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

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

30. Contingencies

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

31. Segment Information

a) Business Segments

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

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

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

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

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

b) Geographical Segments

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

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

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

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

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

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

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

33. Comparative Figures

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

34. Approval of the Financial Statements

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

Financial Statements

For The Period Ending 31 December 2008

Independent Auditors' Report To The Shareholders Of Saudi Fransi Cooperative Insurance Company (A Saudi Joint Stock Company)

Scope Of Audit

We have audited the accompanying balance sheet of Saudi Fransi Cooperative Insurance Company – a Saudi Joint Stock Company ('the Company') as at 31 December 2008 and the related statements of insurance operations, shareholders' operations, insurance operations' cash flows and shareholders' cash flows and changes in shareholders' equity for the period from 23 June 2007 to 31 December 2008 and notes 1 to 27 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. Except for the matter explained in the following paragraph, 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.

Qualification

As described in note 3 to the financial statements, management have prepared these financial statements in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia Based on evidence and information available to us, we have been unable to conclude whether the basis of preparation of these financial statements is appropriate.

Qualified Opinion

In our opinion, subject to the matter described in the preceding paragraph, the financial statements taken as a whole:

1. Present fairly, in all material respects, the financial position of the Company as of 31 December 2008 and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards; and
2. 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.

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

3 Rabi Al Awal 1430H
(28 February 2009)

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

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

Tareq Al Sadhan
Certified Public Accountant
Licence No. 352

Balance Sheet
As of 31 December 2008

	Note	SR
INSURANCE OPERATIONS' ASSETS		
Office equipment and furniture	6	7,016,114
Reinsurers' share of outstanding claims	7	1,196,374
Reinsurers' share of unearned premiums		50,068,631
Deferred policy acquisition costs	8	632,839
Prepayments and others	9	1,149,167
Due from shareholders' operations		25,337,634
Premiums receivable	10	58,687,080
Cash and cash equivalents	11	3,923,431
Total insurance operations' assets		148,011,270
SHAREHOLDERS' ASSETS		
Statutory deposit	12	10,053,040
Advance on investments	13 (Iii)	800,000
Investments	13 (I),(Ii)	14,164,997
Prepayments and other assets	9	144,047
Due from an affiliate	14	9,545,361
Cash and cash equivalents	11	56,621,236
Total shareholders' assets		91,328,681
TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' ASSETS		239,339,951

INSURANCE OPERATIONS' LIABILITIES		
Employees' end of service benefits		511,271
Unearned premiums		58,374,364
Outstanding claims	7	1,663,076
Unearned commission income	15	736,891
Reinsurance balances payable		49,304,621
Accrued expenses and other payables	16	7,476,863
Due to an affiliate	14	29,944,184
Total insurance operations' liabilities		148,011,270
SHAREHOLDERS' LIABILITIES AND EQUITY		
Due to insurance operations		25,337,634
Accrued expenses and other payables	16	53,040
Zakat payable	17	50,825
Total shareholders' liabilities		25,441,499
SHAREHOLDERS' EQUITY		
Share capital	18	100,000,000
Accumulated losses		(34,224,179)
Unrealized gain on available for sale investments	13 (I)	111,361
Total shareholders' equity		65,887,182
TOTAL INSURANCE OPERATIONS' AND SHAREHOLDERS' LIABILITIES & EQUITY		239,339,951

Statement of Insurance Operations
For the period from 23 June 2007 to 31 December 2008

	Note	SR
Gross written premiums		77,908,114
Reinsurance premiums ceded		(65,937,744)
Net written premiums		11,970,370
Unearned premiums		(58,374,364)
Reinsurance share of unearned premiums		50,068,631
Net change in unearned premiums		(8,305,733)
Net premiums earned		3,664,637
Commission earned during the period	15	214,344
TOTAL REVENUES		3,878,981
Gross claims paid		(439,300)
Reinsurance share of claims paid		329,475
Net claims paid		(109,825)
Gross outstanding claims		(1,663,076)
Reinsurance share of outstanding claims		1,196,374
Net outstanding claims	7	(466,702)
Net claims incurred		(576,527)
Policy acquisition costs	8	(318,704)
Inspection and supervision fees		(389,541)
General and administrative expenses	21	(27,931,843)
TOTAL CLAIMS AND EXPENSES		(29,216,615)
NET DEFICIT FOR THE PERIOD FROM INSURANCE OPERATIONS		(25,337,634)
Net deficit transferred to statement of shareholders' operations		25,337,634
NET RESULT FOR THE PERIOD		-

Statement of Shareholders' Operations

For the period from 23 June 2007 to 31 December 2008

	Note	SR
Interest income		2,743,302
Amortisation of premium on investments		(34,905)
Total revenues		2,708,397
Net deficit transferred from statement of insurance operations		(25,337,634)
Pre-incorporation expenses, net	22	(10,504,494)
General and administrative expenses		(319,506)
NET LOSS FOR THE PERIOD		(33,453,237)
Basic and diluted loss per share	24	(3.35)

Statement of Insurance Operations' Cash Flows

For the period from 23 June 2007 to 31 December 2008

	Note	SR
OPERATING ACTIVITIES		
Net result for the period		-
Adjustments for:		
Unearned premiums, net		8,305,733
Depreciation		3,167,449
Employees' end of service benefits		511,271
		11,984,453
Changes in operating assets and liabilities:		
Premiums receivable		(58,687,080)
Deferred policy acquisition costs		(632,839)
Unearned commission income		736,891
Reinsurance balances payable		49,304,621
Accrued expenses and other payables		7,476,863
Outstanding claims, net		466,702
Prepayments and others		(1,149,167)
Net cash from operating activities		9,500,444
INVESTING ACTIVITIES		
Due from shareholders' operations		(25,337,634)
Purchase of office equipment and furniture		(10,183,563)
Net cash used in investing activities		(35,521,197)
FINANCING ACTIVITIES		
Due to an affiliate		29,944,184
Net cash from financing activities		29,944,184
INCREASE IN CASH AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	3,923,431

Statement of Shareholders' Cash Flows

For the period from 23 June 2007 to 31 December 2008

	Note	SR
OPERATING ACTIVITIES		
Net loss for the period		(33,453,237)
Adjustments for:		
Amortisation of premium on investments		34,905
		(33,418,332)
Changes in operating assets and liabilities:		
Statutory deposit		(10,053,040)
Prepayments and others		(144,047)
Accrued expenses and other payables		53,040
Cash used in operations		(43,562,379)
Zakat paid during the period		(720,117)
Net cash used in operating activities		(44,282,496)
INVESTING ACTIVITIES		
Advance on investments		(800,000)
Purchases of held to maturity investments		(2,078,541)
Purchases of available for sale investments		(12,010,000)
Net cash used in investing activities		(14,888,541)
FINANCING ACTIVITIES		
Issue of share capital		100,000,000
Due to an affiliate		(9,545,361)
Due to insurance operations		25,337,634
Net cash from financing activities		115,792,273
INCREASE IN CASH AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	56,621,236
Non-cash supplemental information:		
Net changes in fair value of available for sale investments	13 (i)	111,361
Operational cash flows from interest income:		
Interest received		2,886,008

Statement of Changes In Shareholders' Equity

For the period from 23 June 2007 to 31 December 2008

				SR
	Share capital	*Accumulated losses*	*Unrealized gain on available for sale investments*	*Total*
Issue of share capital	100,000,000	-	-	100,000,000
Net loss for the period	-	(33,453,237)	-	(33,453,237)
Provision for Zakat (note 17 a)	-	(770,942)	-	(770,942)
Net changes in fair value of available for sale investments (note 13 (i))	-	-	111,361	111,361
Balance at 31 December 2008	100,000,000	(34,224,179)	111,361	65,887,182

The accompanying notes 1 to 27 form part of these financial statement

Nizar Al Qannas
Board Member

Antoine Issa
Chief Executive Officer

Ayman Hegazy
Chief Financial Officer

Notes To The Financial Statements

31 December 2008

1. Organization and Principal Activities

Saudi Fransi Cooperative Insurance Company ('the Company') is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010235601 dated 26 Jumada Thani 1428H corresponding to 12 July 2007. The Company operates through its seven branches in the Kingdom of Saudi Arabia, employing 176 employees as of 31 December 2008. The registered office of the Company is located at Al Safwa Commercial Building, P O Box 3540, Riyadh 11481, Kingdom of Saudi Arabia.

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

During 2007, the Company resolved to change its name from 'Saudi Fransi Cooperative Insurance Company' to 'Allianz Saudi Fransi Company for Cooperative Insurance'. The legal formalities to effect this name change are currently in progress.

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

2. Asset Purchase Agreement, Transfer of Insurance Portfolio and Commercial Operations

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

Following the completion of the public offering on 26 March 2007, an application was submitted to His Excellency the Minister of Commerce and Industry (MOCI) in the Kingdom of Saudi Arabia, requesting the announcement of the incorporation of the Company. On 8 Jumada Thani 1428H corresponding to 23 June 2007, MOCI issued a resolution declaring the incorporation of the Company.

During 2007, the Company entered into an asset purchase agreement (the Agreement), pursuant to which it offered to purchase the insurance business and related net assets (insurance portfolio) of InSaudi Insurance Company B.S.C's operations in the Kingdom of Saudi Arabia (the Operations) at a valuation to be approved by the Saudi Arabian Monetary Agency (SAMA) and agreed by the concerned parties. The Company, in accordance with the purchase agreement, submitted a due diligence study (which consisted of valuation of the Operations) completed by an independent auditor to SAMA during 2007. During December 2008, the Company received an approval from SAMA for the transfer of Insaudi Insurance Company's portfolio. The transfer of the insurance portfolio has been unanimously approved by the shareholders in their meeting held on 18 January 2009.

During March 2008, SAMA granted the Company an authorisation to commence operations as soon as product approval and related formalities were completed. During 2008, the Company obtained SAMA's approval for issuance of policies under three main classes namely Engineering, Medical and Fidelity Guarantee. In addition, the Company received an approval from SAMA during December 2008 for issuance of Bancassurance products.
The Company expects to launch its full commercial operations during 2009.

3. Basis of Preparation

Basis of measurement

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments.

Statement of compliance

The financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards (IFRS), which is in line with the letter issued by the Capital Market Authority (CMA) dated 27 August 2008 expressing no objection to the publication of financial statements under International Financial Reporting Standards (IFRS).

The Company's by-laws require that separate accounts be maintained for Insurance and Shareholders' activities. 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.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of insurance operations or statement of shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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.

4. Summary of Significant Accounting Policies
The significant accounting policies adopted are as follows:

New standards and interpretation issued but not yet effective
The following standards and interpretation have been issued by International Accounting Standard Board (IASB) but are not yet mandatory for these financial statements.

- IFRS 8 — Operating Segments.
- IAS 1 (revised) — Presentation of Financial Statements.
- IAS 32 — Financial Instruments: Presentation and IAS 1 of Financial Statements - Puttable Financial Instruments and Obligation Arising on Liquidation.

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

Cash and cash equivalents
For the purpose of statements of cash flows, cash and cash equivalents comprise cash at banks.

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

Revenue recognition
Gross premiums
Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. The change in the provision for unearned premiums is taken to the "statement of insurance operations", over the period of risk.
Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

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

Fees and interest income
Insurance policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over future periods. Interest income is recognized on an effective yield basis taking account of the principal outstanding and the interest rate applicable.

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

Claims
Claims, comprising amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to 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 balance sheet date.

The Company generally estimates its claims 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 the cost of settling claims "incurred but not reported" at the balance sheet date. Any difference between the provisions at the balance sheet date and settlements and provisions for the following period is included in the underwriting account for that period.

Deferred policy acquisition costs (DPAC)

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

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

Fair values

For investments traded in the organized markets, fair value is determined by reference to quoted market bid prices. The fair value of unquoted interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Reinsurance

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

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and 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 associated reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Investments

All investments are initially recognized at fair value, including acquisition charges associated with the investment. Premiums are amortized and discounts accreted using the effective yield method and are taken to the statements of shareholders' operations. Following initial recognition of the various classes of investment securities, the subsequent period-end reporting values are determined on the basis as set out in the following paragraphs:

i. Held to maturity

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

ii. Available for sale

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

Premiums receivable

Premiums receivable are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of insurance operations. Premiums receivable are derecognized when the derecognition criteria for financial assets have been met.

Impairment and uncollectibility of financial assets

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

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

Derecognition of financial instruments

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

Offsetting

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

Trade date accounting

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

Office equipment and furniture

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

Computer and office equipments	4 years
Vehicles	4 years
Furniture and fittings	7 years

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

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.
Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Liability adequacy test

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

Leases

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

Zakat and income tax

Zakat is computed on the Saudi shareholders' share of equity or net adjusted income using the basis defined under the Zakat regulations in the Kingdom of Saudi Arabia. Income taxes are computed on the foreign shareholders' share of net adjusted income. Zakat and income tax is accrued and charged to the Statement of Changes in Shareholders' Equity.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has three reportable operating segments as follows:

- Engineering and liability provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance. Fire provides coverage against fire, and any other insurance included under this class of insurance.
- Shareholders' Funds is a non-operating segment. Income earned from investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations are allocated to this segment on an appropriate basis.
- The health care products provide medical cover to policyholders.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company. As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Employee end of service benefits

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

Events after the balance sheet date

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date. Events that are indicative of condition that arose after the balance sheet are disclosed, but do not result in an adjustment of the financial statements themselves.

5. Significant Accounting Estimates and Assumptions

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

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

Impairment of investments

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

Reserve for insurance activities

The estimation of the ultimate liability arising from claims made under general insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the balance sheet date, for which the insured event has occurred prior to the balance sheet date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

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

Impairment losses on receivables

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

Deferred policy acquisition cost

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

Classification of held-to-maturity investments

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity.

6. Office Equipment and Furniture

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

7. Outstanding claims, net

	SR
Outstanding claims, gross	1,215,000
Incurred but not reported (IBNR) claims, net	448,076
Total outstanding claims	1,663,076
Reinsurance share of outstanding claims	1,196,374
	466,702

8. Deferred policy acquisition costs

	SR
Incurred during the period	951,543
Amortisation for the period	(318,704)
	632,839

9. Prepayments and others

	SR	
	Insurance operations	Shareholders' operations
Prepaid rent	713,981	-
Deferred incentive plan costs (note 19)	435,186	-
Accrued interest	-	144,047
	1,149,167	144,047

10. Premiums Receivable

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

			Past due but not impaired	
Amount in SR	Total	Neither past due nor impaired	91 to 180 days	More than 180 days
Premiums receivable	58,687,080	23,390,451	20,967,533	14,329,096

The Company classifies balances as 'past due and impaired' on a case to case basis. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances therefore, is unsecured. There were no impaired premiums receivable balances at the year end.

11. Cash and cash equivalents

	SR
Cash at bank:	
Insurance operations	3,923,431
Shareholders' operations	56,621,236
	60,544,667

Cash at bank balances are maintained with Banque Saudi Fransi, a founding shareholder with a credit rating of B from Fitch.

12. Statutory deposit

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 10,000,000 in a bank designated by SAMA and includes accrued interest amounting to SR 53,040. This deposit cannot be withdrawn without SAMA's consent. The Statutory deposit is maintained with Banque Saudi Fransi.

13. Investments

Investments are classified as follows:

		SR
Available for sale	(i)	12,121,361
Held to maturity	(ii)	2,043,636
		14,164,997

(i) Available for sale

Investment in available for sale comprise the following:

			SR
	Cost	Market Value	Unrealised gain (loss)
SR Money Market Fund (managed by CAAM Saudi Fransi)	5,000,000	5,096,868	96,868
Al Badr Fund (managed by CAAM Saudi Fransi)	5,000,000	5,084,493	84,493
SEC Sukuk	2,010,000	1,940,000	(70,000)
	12,010,000	12,121,361	111,361

(ii) Held to maturity

Held to maturity investment represents Saudi Government Development Bonds (SGDB) amounting to SR 2,078,541 (premium of SR 78,540) maturing in October 2009. The carrying value net of amortisation, as at 31 December 2008 amounted to SR 2,043,636. The fair value of the SGDB is not materially different from its carrying value.

(iii) Advance on investments

During 2008, the Company subscribed an amount of SR 800,000 representing a 16% equity interest in the capital of "Saudi Nextcare", a medical Third Party Administrator which was under formation as at the balance sheet date.

14. Related Party Transactions And Balances

The following are the details of major related party transactions during the period from 23 June 2007 to 31 December 2008 and the related affiliates balances as at 31 December 2008:

Related party	Nature of transaction	SR
InSaudi Insurance B.S.C (Affiliate)	Pre-incorporation expenses and general and administration expenses paid on behalf of the Company	29,725,853
	Office equipment and furniture acquired on behalf of the Company (note 6)	10,183,563
	Reimbursement of expenses paid	(19,510,592)
	Net premiums received	282,693
Banque Saudi Fransi (Founding shareholder)	Interest income	(2,944,449)
Board members	Fees and related expenses	333,372
Key management personnel	Remuneration and related expenses	4,221,326

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

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

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

InSaudi Insurance B.S.C (Affiliate)		SR
Due to an affiliate (Insurance operations)	(i)	29,944,184
Due from an affiliate (Shareholders' operations)	(ii)	9,545,361

15. Unearned Commission Income

	SR
Received during the period	951,235
Earned during the period	(214,344)
	736,891

16. Accrued Expenses And Other Payables

		SR
	Insurance operations	Shareholders' operations
Withholding taxes	2,541,588	-
Accrued bonus	2,071,841	-
Consultation fees	874,637	-
Accrued leave	789,486	-
Commission payable	723,662	-
Inspection and supervision fees	389,541	-
Others	86,108	53,040
	7,476,863	53,040

17. Zakat And Income Tax

a) Zakat Charge for the year

Provision for zakat amounting to SR 770,942 has been made for the period ended 31 December 2008, out of which SR 720,117 has been paid before the period end. Accordingly, the balance of SR 50,825 has been reported as zakat payable as at balance sheet date. The provision has been charged to the statement of changes in shareholders' equity.

The provision for zakat charge relating to the Saudi shareholders is based on the following:

	SR
Equity	43,678,000
Book value of long term assets	(3,787,717)
	39,890,283
Adjusted loss for the period	(10,674,187)
Zakat base	29,216,096
Zakat due at 2.5% on Saudi shareholders	730,402

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

b) Income tax

No income tax provision has been provided due to negative tax base. For the period ended 31 December 2008, the Company incurred tax adjusted losses which may be carried forward to future years without limitation of time.

c) Status of assessments

The Company has filed tax and Zakat returns for the period ended 31 December 2008 with the Department of Zakat and Income Tax. The assessment has not yet been received by the Company.

18. Share Capital

The authorized and issued share capital of the Company is SR 100,000,000 as at 31 December 2008 consisting of 10,000,000 shares of SR 10 par value.

During December 2008, the Board of Directors has recommended an increase in the share capital by SR 100,000,000 through rights issue, which is subject to the approval of the Annual General Meeting and regulatory agencies.

19. Equity Incentive Plan

During 2008, key management personnel of the Company became eligible for a Global Equity Incentive (GEI) plan of Allianz Group, a major shareholder of the Company. The GEI plan consists of two instruments Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU). In accordance with the pre-requisites of these cash-settled equity plans, key management personnel (the eligible personnel) of the Company would be granted, certain number of SAR's and RSU's if at the time of exercise, provided the eligible personnel were still employed within the Allianz Group.

Further details of these plans are set out below:

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

The obligation under the above plans is measured at fair value at the balance sheet date based on pricing information provided by Allianz Group. The fair value of such obligation determined is recognised in the statement of insurance operations on a straight line basis over the vesting period. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in statement of shareholders' operation for the period. Any future changes from the grant date of the options in the fair value of SAR's and RSU's have been fully covered for absolute amounts with Allianz Group thus restricting / capping the liability of the Company.

20. Statutory Reserve

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

21. General and Administrative Expenses

For the period from 23 June 2007 to 31 December 2008		SR
	Insurance operations	Shareholders' operations
Employees' costs	14,766,695	256,706
Withholding taxes	2,848,200	-
Depreciation	2,548,465	-
Rent	2,243,545	-
Consultation fees	2,110,167	-
Advertisement and promotion	891,632	-
Repair and maintenance	563,508	-
Board expenses	483,043	62,800
Software maintenance	287,118	-
Licensing and registration fees	110,000	-
Incentive plan costs	203,054	-
Others	876,416	-
	27,931,843	319,506

The basis of allocation of expenses from operations was completed by management and the Board of Directors and accordingly, expenses relating to insurance activities were reclassified and charged to the statement of insurance operations in these financial statements.

22. Pre-incorporation Expenses, Net

	SR
Office support costs	3,351,914
Transaction costs	2,913,205
Legal and professional fees	1,789,446
Advertising	1,263,355
Depreciation	618,984
Office rent	572,715
Others	281,628
	10,791,247
Less: Interest earned from bank balances up to the date of Ministerial resolution (23 June 2007)	(286,753)
	10,504,494

23. Risk Management

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, interest rate, credit, liquidity and currency risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of Directors

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

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.
The risks faced by the Company and the way these risks are mitigated by management are summarized below:

a) Insurance risk

Insurance risk is the risk that actual claims payable to policy holders in respect of insurance events may exceed expectations. This could occur because the frequency or amounts of claims could be 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 property, fire and general and medical (health) risks.

The Company issues short term insurance policies and they are expected to produce only short tail claims; therefore it is unlikely to have significant reserve movements or requirements. This helps to mitigate insurance risk. The risks arising from the above insurance contracts are mainly concentrated in the Kingdom of Saudi Arabia.

Property and fire and general

For property insurance contracts the main risks are fire and business interruption. The Company has only underwritten 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.

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the 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 of 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 to 25% of the incurred cost and maximum of SR 62,500 per insured.

b) Reinsurance risk

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

To minimize its exposure to significant losses arising from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.
Reinsurers are selected using the following parameters and guidelines set by the Company's management:

- Minimum acceptable credit rating by recognized rating agencies. The Company normally uses the Standard & Poor's (S&P) rating criteria and selects reinsurers having an S&P rating that is not lower than 'BBB'.
- The Company also uses the services of local reinsurers who are not rated. Accordingly, the Company evaluates and limits its exposure to those reinsurance companies that are registered and approved by the local insurance regulator
- A recommended list of reinsurers set out by Allianz Group, a major shareholder
- Reputation of particular insurance companies
- Existing or past business relationship with the reinsurers
- The financial strength, managerial and technical expertise, as well as historical performance, wherever applicable, are reviewed by the Company

c) 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 money market funds.

The sensitivity of the income is the effect of the assumed changes in the interest rates, with all other variable held constant, on the Company's profit for one year, based on the floating rate financial assets held at 31 December 2008. A hypothetical 10 basis points change in the weighted average interest rate of the floating rate cash at bank balances at 31 December 2008 would impact interest income by approximately SR 60,545, annually in aggregate.

The Company is exposed to interest rate risk on its investments in money market funds, as the underlying investments comprise placements in the money markets. However, as the Company is merely an investor in these money market funds, it is not able to reliably predict the sensitivity of its income to reasonable possible changes in the underlying commission rates affecting the funds in which it invests

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

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

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

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

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

e) Liquidity risk

Liquidity risk is the risk that a Company will encounter difficulty in meeting obligations associated with the financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing difference between gross cash out-flow and expected reinsurance recoveries.
The following polices and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophic excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

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

As at 31 December 2008	Less than 1 year	More than 1 year	SR Total
Policyholders' assets			
Due from shareholders	25,337,634	-	25,337,634
Premium receivable	44,357,984	14,329,096	58,687,080
Cash and cash equivalents	3,923,431	-	3,923,431
	73,619,049	14,329,096	87,948,145
Shareholders' assets			
Statutory deposit	-	10,053,040	10,053,040
Advance on investments	-	800,000	800,000
Investments	-	14,164,997	14,164,997
Due from an affiliate	9,545,361	-	9,545,361
Cash and cash equivalents	56,621,236	-	56,621,236
	66,166,597	25,018,037	91,184,634
Policyholders' liabilities			
Employees' end of service benefits	-	511,271	511,271
Outstanding claims	1,663,076	-	1,663,076
Reinsurance balance payable	35,929,390	13,375,231	49,304,621
Accrued expenses and other payables	6,861,144	615,719	7,476,863
Due to an affiliate	29,944,184	-	29,944,184
	74,397,794	14,502,221	88,900,015
Shareholders' liabilities			
Due to policyholders	25,337,634	-	25,337,634
Accrued expenses	-	53,040	53,040
Zakat payable	50,826	-	50,826
	25,388,460	53,040	25,441,500

All financial liabilities, other than certain employee benefits, are contractually payable as of the balance sheet date. Financial liabilities are not interest bearing and consequently all liabilities on the balance sheet date represent undiscounted amounts.

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, foreign exchange gains and losses are not significant and have not been disclosed separately.

g) Capital management

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

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

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

h) Fair values of financial instruments

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

i) Regulatory framework risk

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.

24. Loss Per Share

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

The basis and diluted loss per share are same as there are no dilutive effects.
There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

25. Contingencies and Commitments

a) Legal proceedings and regulations

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

b) Capital commitments and operating lease obligations

The Company has no capital commitments or operating lease commitments as at balance sheet date.

26. Segment Information

a) Business segments

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

Fire and general	Engineering and Liability
Health	Medical

				SR
	Shareholders' Funds	Engineering & Liability	Medical	Total
Gross written premiums	-	61,810,850	16,097,264	77,908,114
Net written premiums	-	5,634,463	6,335,907	11,970,370
Net premiums earned	-	1,265,997	2,398,640	3,664,637
Net claims incurred	-	(24,214)	(552,313)	(576,527)
Reinsurer's share of outstanding claims	-	1,196,374	-	1,196,374
Gross outstanding claims	-	(1,220,588)	(442,488)	(1,663,076)
Interest income	2,743,302	-	-	2,743,302
Pre-incorporation expenses, net	(10,504,494)	-	-	(10,504,494)
Premiums receivable		48,843,685	9,843,395	58,687,080
Unallocated corporate assets				128,755,027
Unallocated corporate liabilities				63,373,818
Capital expenditure during the period				10,183,563
Depreciation during the period				3,167,449

b) Geographical segments

The Company, as of 31 December 2008, operated only in the Kingdom of Saudi Arabia.

27. Approval of the Financial Statements

These financial statements have been approved by the Board of Directors on 29 Safar 1430H, corresponding to 24 February 2009.