



Prosperity through security

Growing from our base of reinsurance experience and values, to be a leading provider of financial protection and management of risk

Integrity, Excellence, Security

*As our
successful
achievements
in recent years demonstrate,
SaudiRe has already
adopted a proactive approach
to these challenges
and opportunities.*

*Strongly capitalized,
highly liquid
and not leveraged – and with a
clear strategic focus
SaudiRe is well positioned to
take advantage
of new business
opportunities.*

إعادة
Saudi Re 



*Dear shareholders,
The Directors of Saudi Re are
pleased to present the Company's
Annual Report for the year ended
31 December 2011.*

A handwritten signature in black ink, appearing to be 'Jahad', written in a cursive style.

2011 was full of events and developments that have affected the insurance and reinsurance markets regionally and globally. The reinsurance markets have witnessed a series of natural disasters which led to a significant change in the business dynamics that would correct the pricing strategies as recently reflected by certain indicators. However, the reinsurance markets have witnessed severe competition last year as abundance of reinsurance capacities at low rates and high commissions has created a big challenge, particularly for the regional reinsurers. Moreover, the drop in financial markets which led to low investment returns, has posed an additional challenge. These factors have limited the reinsurers' ability worldwide to achieve growth or preserve rewarding technical results under intense competition.

Regionally, the political unrest in the Middle East and North Africa has directly impacted the insurance and reinsurance industry. The demand has declined as a result of affected economies in these countries encountering political turmoil, with the exception of political risks which witnessed higher demand. On the other hand, insurance and reinsurance companies look for these changes to bring greater opportunities in the long run as a result of the reconstruction operations and economic development which is expected to take place.

Despite the tough competition, and as a result of applying its new strategy in 2011, Saudi Re was capable of ex-

panding its clients' base where Gross Written Premiums exceeded SAR 159 million, 49% growth compared to 2010. Net Written Premiums have also surpassed SAR 91 million in 2011, increasing by 126% over the preceding year.

Saudi Re continued to improve its solvency position by building its technical reserves which reached SAR 103 million in 2011 compared to SAR 34 million in the preceding year as a result of the growth achieved in the gross written premiums and the increase in the retention rate.

Saudi Re also registered a return on investment of 2.1% in 2011 achieving income of SAR 21 million. Furthermore, the company revised its investment policy and adopted a new asset allocation policy in light of the legislative framework in order to rebalance the investment portfolio and increase investment returns.

In 2011, the company was unable to achieve profits due to increased operational expenses as the company remains in the final stage of its start-up process, and also due to the increase in incurred claims resulting from two unusual major losses in addition to the losses resulting from Jeddah floods in the same year.

For the third consecutive year, Saudi Re preserved BBB+ (Stable) rating by S&P reflecting a strong financial position in terms of capitalization, solid balance sheet, and the company's competitive edge being the only Saudi reinsurance company in the Kingdom.

As part of supporting its infrastructure, Saudi Re contracted with an international information technology provider specialized in the reinsurance field in order to develop the core IT systems in order to improve the company's operational efficiency and strengthen the analytical and pricing capabilities. On the human capital front, Saudi Re attracted experienced and efficient technical cadres from local and international markets to help achieve its ambitious strategic goals.

Saudi Re has paid special attention to comply with the applicable rules and regulations issued by the concerned supervisory authorities in the Kingdom and has put in place the necessary procedures to achieve a high degree of compliance.

Also in 2011, Article 13 of the Company's Article of Association has been amended to expand the Board to include nine members. A new Board was elected for a three-year term with effect from 30 April 2011. This was followed by re-formation of the Board's Committees to include the Executive Committee, Investment Committee, Nomination and Remuneration Committee, Risk and Underwriting Committee, and Audit Committee. In addition, a Sharia Board has been appointed to review the company's operations and contracts and ensure its compatibility with the provisions of Sharia.

Finally, I take this opportunity to thank

my colleagues on the previous Board for the efforts exerted in establishing "Saudi Re". I also would like to thank the concerned governmental authorities for their support. I would also like to express my appreciation to our partners from insurance companies and reinsurance brokers for putting their confidence in Saudi Re, which we consider a source of our strength. I extend my gratitude to our shareholders whose contribution has played a great role in developing the company locally and regionally. Last but not least, thanks to Saudi Re's Directors and employees for their sincere efforts and strive to achieve the company's business objectives.

Chairman of the Board
Hesham Al Shaikh



Directors' Report

*To:
The valued shareholders of the Saudi
Cooperative Reinsurance Company (Saudi Re)
for the financial year ended 31 December 2011.*

The board of directors of Saudi Re are pleased to present to you its annual report along with audited financial statements and accompanying notes for the financial year ended 31 December 2011, highlighting significant developments, financial results, operating activities and disclosures in accordance with the applicable laws and regulations.

Significant plans, resolutions, operating activities, prospects and risks:

a. Significant board resolutions

- Approval of the Business Plan for 5 years to 2015 and the new organization structure based on the recommendations of a study conducted by a specialized consulting firm.
- Appointment of the Sharia Board.
- Approval the Investment Policy Statement (IPS) of the shareholders' and policyholders' funds.
- Approval of the 2011/12 retrocession program.
- Approval of implementation of a new core operating system.
- Appointment of two new board committees; the Investment Committee and the Risk and Underwriting Committee.
- Approval of the HR Policy.

b. Operating activities

b-1 Marketing and sales

Company continued in its strategy of expansion and penetration to local and regional markets. In spite of the political uncertainties in the region, the company succeeded in expanding its client base from 135 in 2010 to 153 in 2011. To achieve this expansion company pursued a strategy of building special relationships with its clients and brokers. Company progressed in positioning itself as an established reinsurer

through holding training sessions and participation in regional and international specialized events. The company also explored Asian markets as part of its strategy to expand into emerging markets.

b-2 Underwriting & claims

Despite the intense competition in the reinsurance markets the company continued its conservative underwriting policy which is based on prudent risk selection. To better utilize its strong capital base and to increase retention ratios which will consequently result in increased technical reserves and underwriting results, the company rearranged its retrocession program to move from proportional to non-proportional.

The underwriting authorities and manuals were updated to align them with the expansion of business and to improve the internal controls. A separate claims dept. was established to segregate claim processing function from underwriting function. Also new pricing tools were developed for Facultative Reinsurance to improve the risk selection process and to price them competitively.

b-3 Manpower and training

- The company remained focused on attracting high quality professional resources.
- The Saudisation percentage was maintained at 37%.
- The Company continued to follow the training and development plans for human resources including providing training locally and internationally.
- Updated HR policies and appointed a specialized consultant to further develop HRD procedures.

b-4 Information systems

- Saudi Re's core operating system

was reviewed and a new application was selected to support the growth demands and improve client relationship management.

- New technology and servers upgrade “virtualization” has been adopted for data management for future expansion and disaster recovery.

b-5 General developments

- To further increase its competitiveness in the takaful market, Saudi Re has appointed a Sharia committee to review the reinsurance operations and ensure compliance to the Sharia principles.

- The Company has maintained its rating of BBB+ /stable outlook from Standard & Poor’s for the third consecutive year.

- The Company’s license to transact reinsurance business has been renewed for a further term of three years with effect from 20/06/2011.

c. Business prospects

Derived from its 5year business plan, Saudi Re growth strategy focuses on increasing presence in the MENA region and diversification into selected Asian markets, especially targeting areas with a scope for re-takaful business. However maintaining high level of underwriting prudence will be the cornerstone of the company’s objectives. As a Saudi Arabian company the Kingdom’s insurance market will remain Saudi Re’s core market.

The year 2012, will be another challenging one, as was the 2011. Reinsurance market in general will remain very competitive, whilst the much anticipated price hardening and reduction in capacities are yet to make any significant impact on reinsurance prices or demand.

Although the low interest rate climate will prevail, through new strategies adopted during the late 2011 the company expects the returns on its investments to improve in 2012, barring any adverse developments beyond its control.

d. Current and future risks

The company faces a variety of risks starting from underwriting risks, claim settlement risks, liquidity risks, governance & regulation risks, operating risks, currency fluctuation risks and credit risks.

Some of the most significant risks the company expects to face are:

- Fierce competition from regional and global reinsurers.
- Climatic variations in geographical areas insured by the company.
- Accumulation risks (e.g. Jeddah flood risks).
- Concentration risks as a high percentage of the portfolio concentrates in Saudi Arabia.
- Risks of non-compliance with the regulatory authority regulations, especially the Capital Market Authority(CMA) and Saudi Arabian Monetary Agency (SAMA).

The company manages its risks through Enterprise Risk Management system (ERM) by identifying and assessing all related risks and taking appropriate measures. Risk Management Department ensures that risks taken and faced by the company remain within the risk appetite and tolerance limits built into its business strategy.

Operating Results and Significant Differences

a. Statement of financial position for the past four years

REINSURANCE OPERATION'S ASSETS	In thousand Saudi Riyals			
	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008
Cash and cash equivalents	8,294	3,935	2,717	33
Investments held at fair value through income statement	44,645			
Premiums receivable	19,127	10,642	13,112	2,257
Accrued insurance premiums	53,148	28,751	12,256	-
Retroceded share of unearned premiums	24,836	34,253	19,968	2,358
Retroceded share of outstanding claims	86,634	39,411	15,260	159
Deferred acquisition costs	19,842	14,352	7,487	612
Deferred excess of loss premiums	10,316	1,105		
Prepaid expenses and other assets	238	330	1,299	426
Due from shareholders' operations	14,018	26,734	11,756	196
Property and equipment, net	2,333	2,346	3,171	3,690
Total Reinsurance Operations' Assets	283,431	161,859	87,026	9,731
SHAREHOLDERS' ASSETS				
Cash and banks balances	140,054	1,168	1,945	412,330
Time deposits	258,439	403,925	243,263	600,000
Accrued special commission income from time deposits	1,900	5,697	5,858	13,721
Accrued special commission income from bonds	2,987	2,996	1,185	-
Investments held at fair value through income statement	256,001	307,400	573,633	-
Held to maturity investments	209,792	211,322	115,706	-
Statutory deposit	100,000	100,000	100,000	-
Other assets	3,037	1,758	681	-
Total Shareholders' Assets	972,210	1,034,266	1,042,271	1,026,051
Total Assets	1,255,641	1,196,125	1,129,297	1,035,782
REINSURANCE OPERATIONS' LIABILITIES				
Retrocession balances payable	24,722	15,362	17,243	1,913
Accrued retroceded premiums	14,197	16,025	8,042	-
Gross unearned premiums	81,351	54,120	28,447	2,891
Gross outstanding claims	146,505	57,170	22,056	202
Unearned commission income	6,926	10,409	6,129	613
Accrued expenses and other liabilities	8,791	7,826	4,499	3,745
Employees' end of service benefits	939	947	610	367
Total Reinsurance Operations' Liabilities	283,431	161,859	87,026	9,731

In thousand Saudi Riyals

	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008
Shareholders' Liabilities And Equity				
SHAREHOLDERS' LIABILITIES				
Provision for zakat and income tax	25,163	21,359	24,202	330
Due to reinsurance operations	14,018	26,734	11,756	196
Other liabilities	3,037	1,758	681	0
Total Shareholders' Liabilities	42,218	49,851	36,639	526
SHAREHOLDERS' EQUITY				
Share capital	1,000,000	1,000,000	1,000,000	1,000,000
Statutory reserve	6,071	6,071	6,071	5,105
Accumulated deficit/retained Earnings	-76,079	-21,656	-439	20,420
Total Shareholders' Equity	929,992	984,415	1,005,632	1,025,525
Total Shareholders' Liabilities And Equity	972,210	1,034,266	1,042,271	1,026,051
Total Reinsurance Operations' Liabilities, Shareholders' Liabilities and Equity	1,255,641	1,196,125	1,129,297	1,035,782

b. Results of operations for the past four years

Description	In thousand Saudi Riyals			
	2011	2010	2009	Period from 1/5/2008 to 31/12/2008
Gross premiums written	159,609	107,475	51,053	3,218
Retroceded premiums	-55,085	-66,982	-34,765	-2,614
Excess of loss expenses	-12,990	-1,623	-1,576	-293
Net premiums written	91,534	38,870	14,712	311
Change in net unearned premium	-36,648	-11,388	-7,946	-533
Net premiums earned	54,886	27,482	6,766	-222
Net claims paid	-58,452	-19,186	-5,077	-44
Gross acquisition costs	-34,108	-20,785	-5,948	-91
Commissions in retroceded business	19,591	15,823	4,808	88
Supervision & Inspection fees	-952	-429	0	0
Net underwriting results	-19,035	2,905	549	-269
Investment revenue from reinsurance funds	303			
General and administrative expenses -	-36,268	-24,251	-20,485	-10,521
Board of directors' remunerations and expenses	-284	-589	-610	-1,135
Net deficit from reinsurance operations' results	-55,285	-21,935	-20,546	-11,925
Net deficit transferred to the statement of shareholders' operations	55,285	21,935	20,546	11,925
Net result for the year/period	0	0	0	0
Investment Revenues	21,593	24,925	25,375	29,539
Foreign exchange translation losses	-614	-2,934	0	0
Net deficit transferred from reinsurance operations	-55,285	-21,935	-20,546	-11,925
Net Income/(deficit) for the year/period – pre-incorporation income	-34,306	56	4,829	17,613
Net pre-incorporation income	0	0	0	8,241
Net income/(deficit) for the year/period	-34,306	56	4,829	25,855

Notes on the differences of Reinsurance Operations

Description	In thousand Saudi Riyals			
	2011	2010	Variances + or (-)	Change %
Gross premiums written	159,609	107,475	52,134	49%
Retroceded premiums	-55,085	-66,982	11,897	18%
Excess of loss expenses	-12,990	-1,623	(11,367)	700%
Net premiums written	91,534	38,870	52,664	135%
Change in net unearned premium	-36,648	-11,388	(25,260)	222%
Net premiums earned	54,886	27,482	27,404	100%
Net claims incurred	-58,452	-19,186	(39,266)	205%
Gross acquisition costs	-34,108	-20,785	(13,323)	64%
Commissions in retroceded business	19,591	15,823	3,768	24%
Supervision & Inspection fees	-952	-429	(523)	122%
Net underwriting results	-19,035	2,905	(21,940)	755%
Investment revenue from reinsurance funds	303	-	303	303%
General and administrative expenses	-36,268	-24,251	(12,017)	50%
Board of directors' remunerations and expenses	-284	-589	305	52%
Net deficit from reinsurance operations' results	-55,285	-21,935	(33,350)	152%
Net deficit transferred to the statement of shareholders' operations	55,285	21,935	33,350	152%
Net result for the year/period	-	-	-	

c. Main lines of business and results

Saudi Re conducts business on facultative and treaty reinsurance basis in Saudi Arabia and all MENA countries with its head office in Riyadh. The company comprises business units based on its services and products. The main lines of business are engineering, fire, marine, motor, health & life.

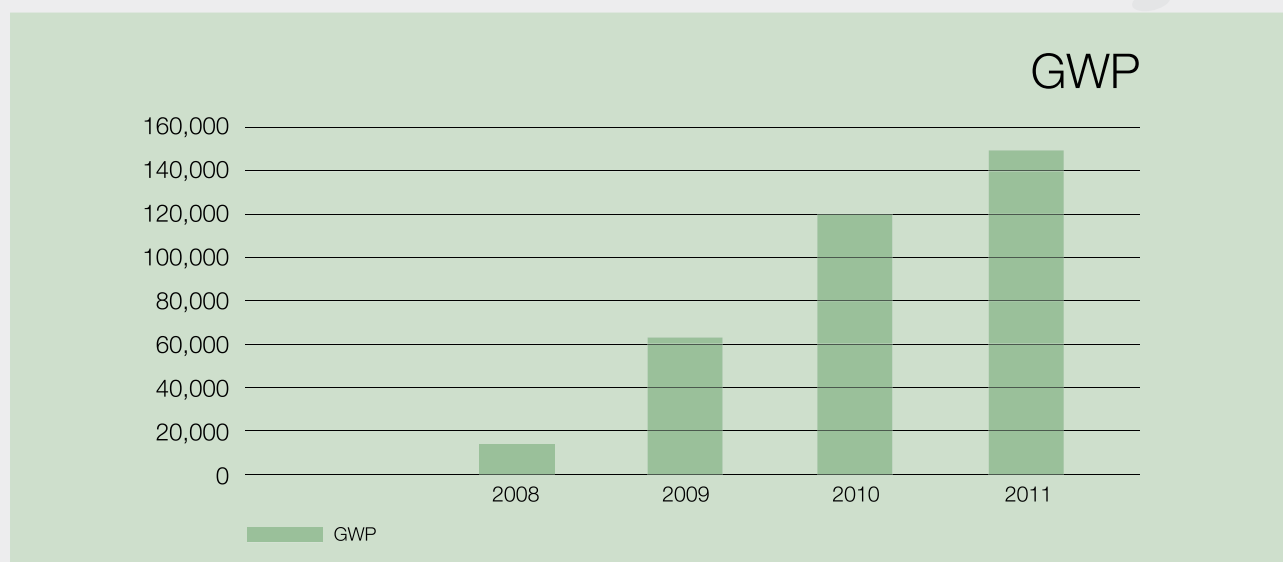
The following table analyses the underwriting results based on the main lines of business:

Description	In thousand Saudi Riyals							
	Fire	Engineering	Marine	Motor	Life	Health	Others	Total
Gross premiums written	73,476	38,950	21,700	8,812	4,609	1,725	10,337	159,609
Retroceded premium	(29,138)	(16,347)	7,076)	-	(32)	--	2,493)	(55,085)
Excess of loss expenses	(6,361)	(3,511)	(1,836)	(212)	--	--	(1,069)	(12,990)
Net premiums written	37,977	19,092	12,788	8,599	4,577	1,725	6,776	91,534
Change in net unearned premiums	(17,122)	(9,103)	(4,547)	244	(2,234)	858)	(3,029)	(36,648)
Net premiums earned	20,856	9,988	8,241	8,844	2,343	867	3,747	54,886
Net claims incurred	(35,804)	(5,853)	(4,786)	(10,175)	(587)	(259)	(989)	(58,453)
Gross acquisition costs	(14,829)	(9,192)	(6,277)	(1,749)	(33)	-	(2,028)	(34,108)
Commissions in retroceded business	9,022	6,173	3,307	-	1	-	1,088	19,591
Excess of loss expenses	(440)	(245)	(129)	(49)	(23)	(8)	58)	(952)
Net underwriting results	(21,195)	871	356	(3,129)	1,701	600	1,760	(19,036)

d. Written premiums and geographic analysis

Gross written premiums written rose by 49% in 2011 to SR 159,609 thousand from SR 107,475 thousand in 2010. This increase is attributed to marketing and sales activities in local and international markets during 2011.

The following graph indicates the gross premiums written during the period 2008-2011 (in thousand Saudi Riyals).



The following table displays the distribution of written premiums over major business segments.

Segment	In thousand Saudi Riyals	
	2010	2011
Fire	73,476	47,040
Engineering	38,950	31,752
Marine	21,700	12,678
Motor	8,812	9,987
Life	4,609	0
Health	1,725	0
Others	10,337	6,018
Total	159,609	107,475

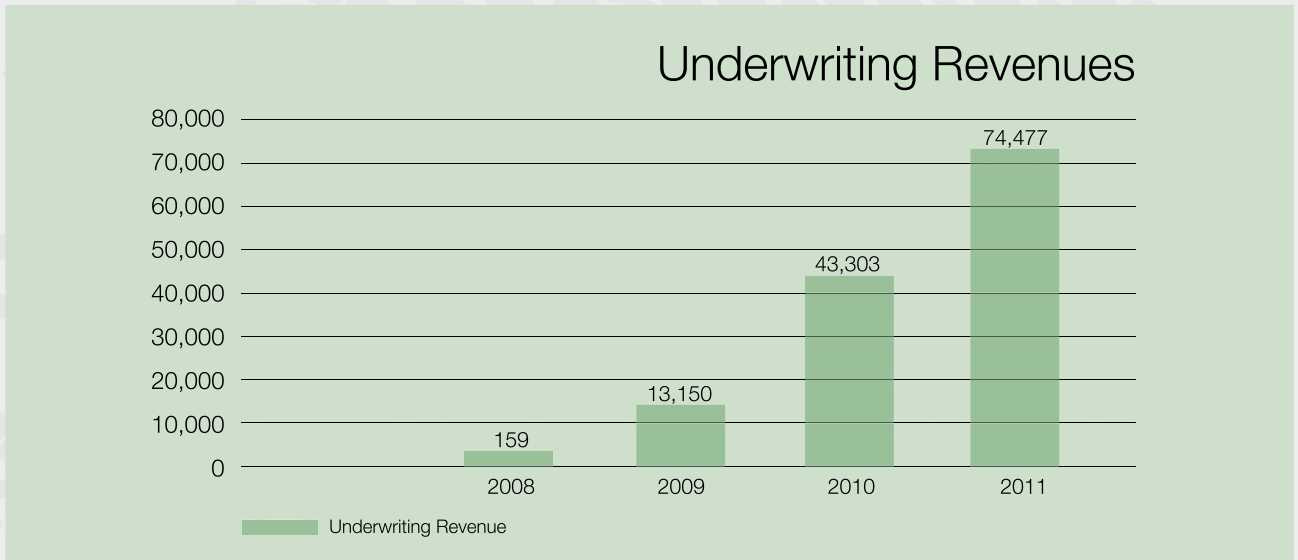
Geographical analysis of gross premiums written

Geographical segment	2010		2011	
	Thousand Saudi Riyals	%	Thousand Saudi Riyals	%
Kingdom of Saudi Arabia	123,684	78%	85,695	80%
Other Middle Eastern Countries	30,985	19%	18,680	17%
Africa	4,940	3%	3,100	3%
Total	159,609	100%	107,475	100%

e. Total underwriting revenues

Total underwriting revenue rose by 72% to SR 74,477 thousand in 2011 from SR 43,305 thousand in 2010 as a result of increase in net premiums earned from SR 27,482 thousand in 2010 to SR 54,886 thousand in 2011, and increase in Retro Commissions earned from SR 15,823 to SR 19,591 thousand in 2011.

The following diagram shows the total revenues from 2008-2011 (in thousand Saudi Riyals).



f. Incurred claims

Net claims incurred, after deduction of reinsurers share, increased by 205% to SR 58,452 thousand in 2011 from SR 19,186 thousand in 2010 due to 2 large losses and Jeddah Flood losses incurred in the year under review.

Total gross claims paid during the year increased by 80% to SR39,077 thousand in 2011 from SR 21,670 thousand in 2010. The retroceded share of claims paid increased by 69% to SR22,737 thousand from SR13,448 thousand in 2010.

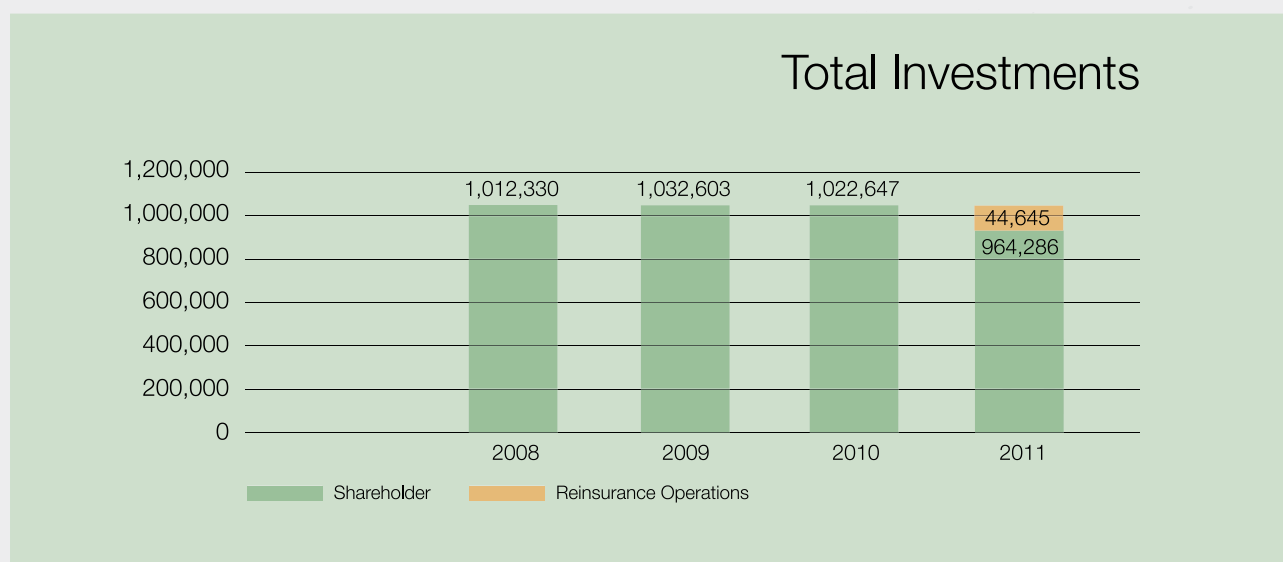
g. Total costs and expenses

Total costs and expenses increased by 102% to SR 130,063 thousand in 2011 from SR 65,239 thousand in 2010 due mainly to growth in business. However the large claims as mentioned in 'f' above contributed to the high ratio.

h. Total investments

Total shareholders' investments were SR 964,286 thousand in 2011 as compared with SR 1,022,647 thousand in 2010, lower by 6 %. During the 2011 the Reinsurance operations investments were SR 44,645 (nil in 2010)

The following figure shows total investments during the period 2008-2011 (in thousand Saudi Riyals).



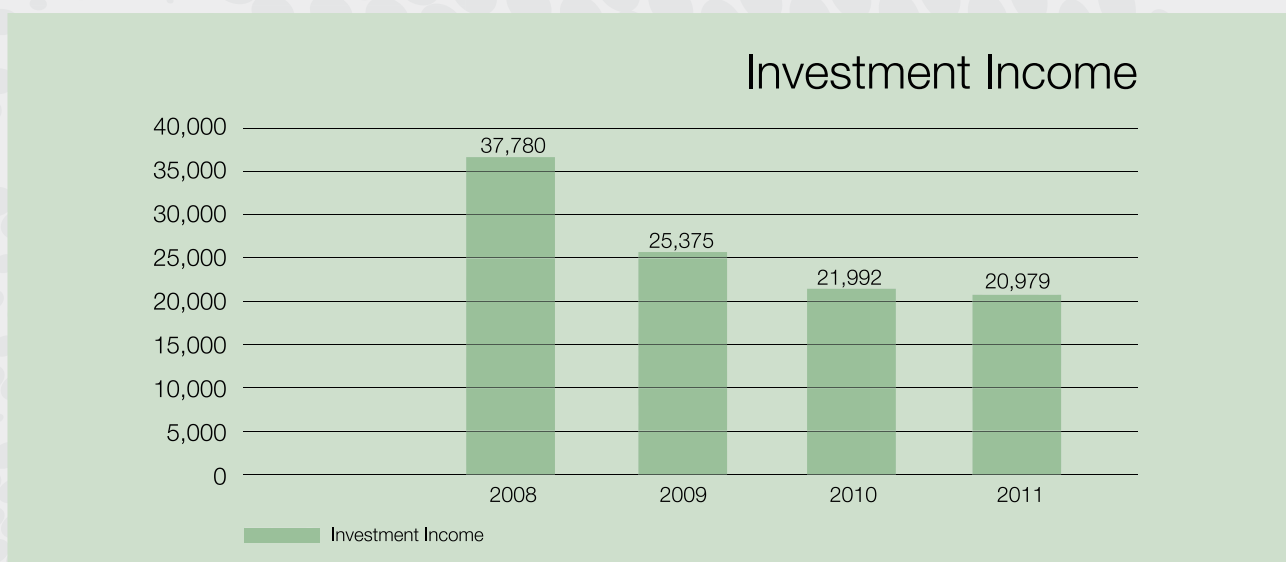
i. Income from reinsurance operations fund investments

Income generated from investments of reinsurance funds for the year 2011 was SR303 thousand. In 2010 there was no investment income from reinsurance funds.

j. Income from shareholder's fund investments

Income from shareholder's fund investments was SR20,979 thousand in 2011 as compared with SR 21,992 thousand in 2010, a changed by -5% due to low interest rates.

The following figure depicts the total income from shareholder's investments during the period 2008-2011 (in thousand Saudi Riyals).



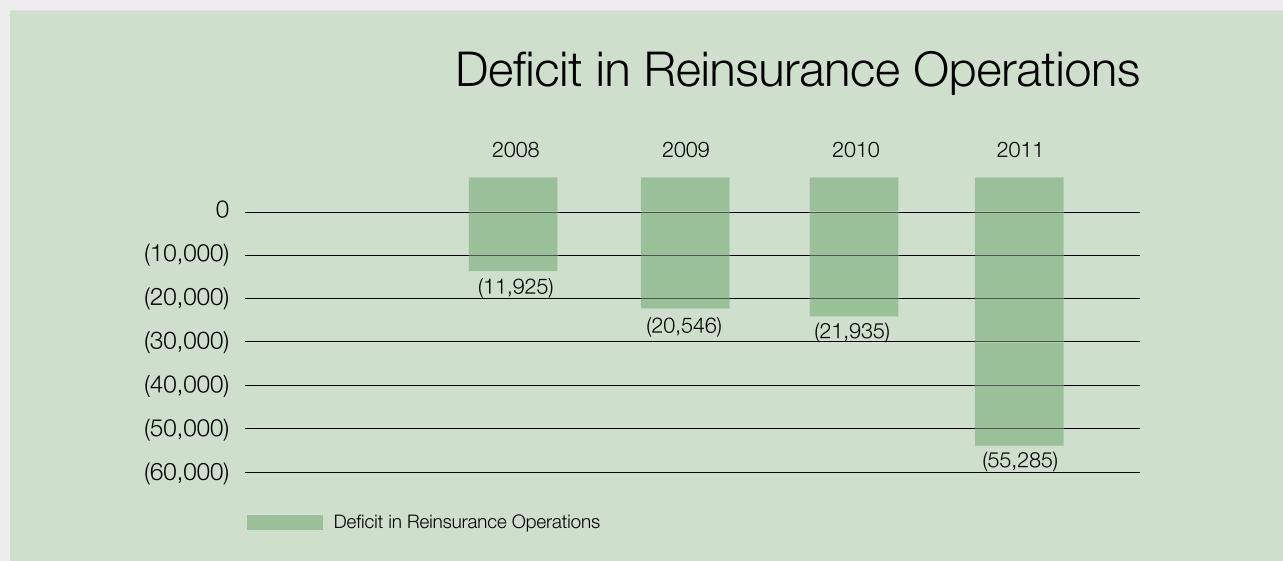
Geographical analysis of total income from the company investments

Geographical segment	2010		2011	
	Thousand Saudi Riyals	%	Thousand Saudi Riyals	%
Within the Kingdom of Saudi Arabia	12,503	60%	16,875	68%
Outside the Kingdom of Saudi Arabia	8,476	40%	8,050	32%
Total	20,979	100%	24,925	100%

k. Deficit from reinsurance operations

Reinsurance operations before investment returns posted a deficit of SR55,285 thousand during 2011 as compared with a deficit of SR 21,935 thousand in 2010, an increase in deficit by 152%. This deficit is transferred to the Statement of Shareholders' Operations.

The following figure shows the (deficit) in reinsurance operations during 2008-2011 (in thousand Saudi Riyals).

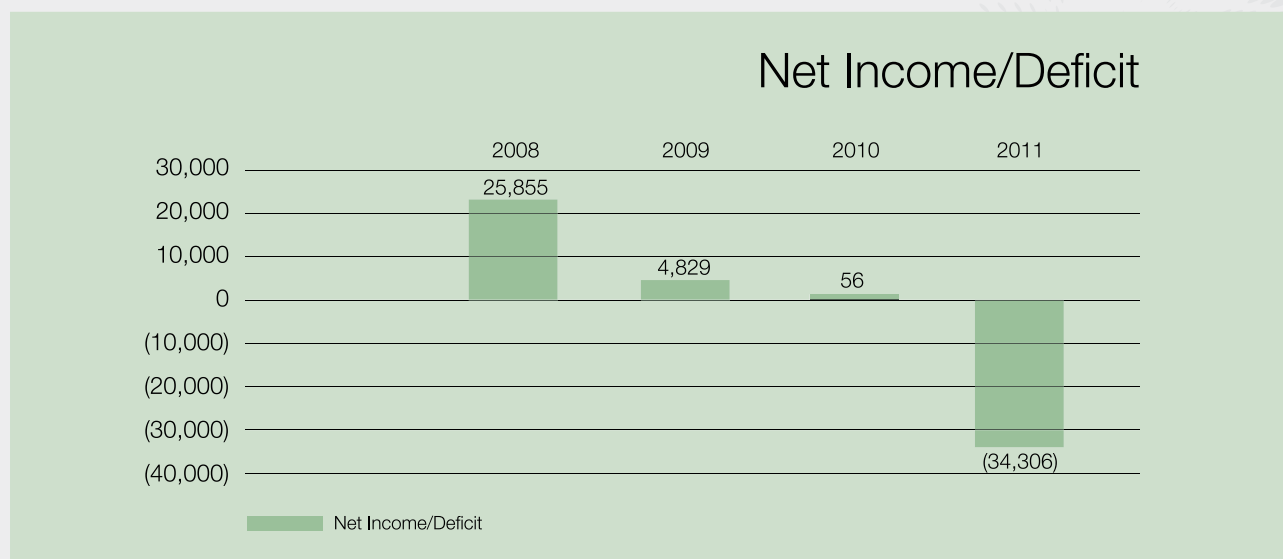


l. Net Income

Shareholders operations posted a loss of SR34,306 thousand in 2011 as compared with SR 56 thousand in 2010.

The decrease is mainly attributed to the increase in net claims paid, and increase in general and administrative expenses.

The following diagram indicates total net income from shareholders operations during the period 2008-2011 (in thousand Saudi Riyals).



Statement of Shareholders Operations during the Period 2008-2011

Description	In thousand Saudi Riyals			
	2011	2010	2009	Period from 1/5/2008 to 31/12/2008
Revenue from investments	21,593	24,925	25,375	29,539
Foreign exchange translation losses	-614	-2,934	-	-
Net deficit transferred from reinsurance operations	-55,285	-21,935	-20,546	-11,925
Net income for the year/Period – Pre-incorporation income	-34,306	56	4,829	17,613
Net pre-incorporation income	0	-	-	8,241
Net income for the year/period	-34,306	56	4,829	25,855

m. Total comprehensive deficit

Total comprehensive deficit was SR54,423 thousand in 2011 as compared with SR 21,218 thousand in 2010, an increase of 156%. The increase in comprehensive deficit in 2011 is mainly attributed to the net loss of SR34,306.

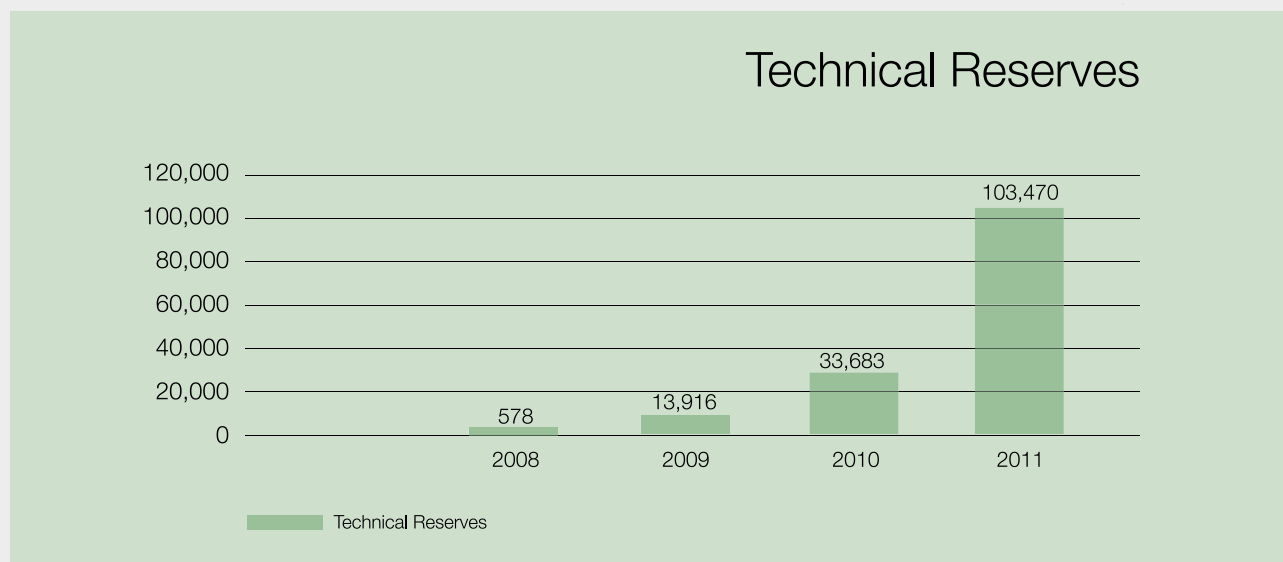
Statement of Shareholders Comprehensive Operations during the Period 2008-2011

Description	In thousand Saudi Riyals			
	2011	2010	2009	Period from 1/5/2008 to 31/12/2008
Net income for the year/period	-34,306	56	4,829	25,855
Zakat and income tax	-20,117	-21,274	-24,722	-330
Total comprehensive (deficit) income for the year	-54,423	-21,218	-19,893	25,525

n. Technical reserves

Technical reserves increased by 207 % to SR 103,470 thousand in 2011 from SR 33,683 thousand in 2010. The increase is mainly attributed to increase in outstanding claims reserves to SR59,872 thousand in 2011 compared to SR17,760 thousand in 2010, an increase of 237%.

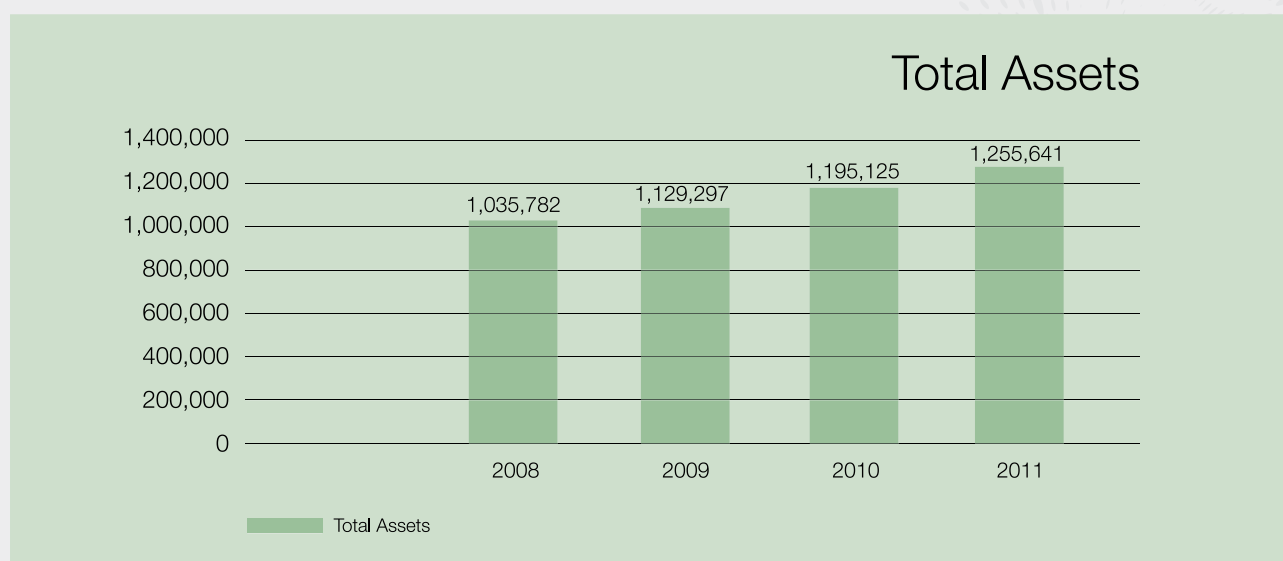
The following diagram depicts the technical reserves during the period 2008-2011 (in thousand Saudi Riyals).



o. Total Assets

Assets increased by 5% to SR 1,255,641 thousand in 2011 from SR 1,196,125 thousand in 2010. Reinsurance operation assets totaled to SR 283,432 thousand in 2011 as against SR 161,859 thousand in 2010, and total shareholders assets were SR 972,209 thousand in 2011 as compared with SR 1,034,266 thousand in 2010.

The following diagram depicts assets during the period 2008-2011(in thousand Saudi Riyals).



The comparative numbers for the previous years have been reclassified wherever necessary to match with the current year presentation.

p. Subsidiaries and investment activities in them

The company does not have any subsidiaries inside or outside the Kingdom of Saudi Arabia.

q. Dividend policy

Since the Company did not make any profit this year, the Company will not pay dividends.

The Company dividends policy aims to achieve suitable returns to the Company's shareholders in one or more of the following:

1. Distribution of cash dividends to the shareholders taking into consideration the financial position of the company, solvency margin requirements, available credit lines and the general economic situation.
2. Stock dividends taking into consideration the requirements and conditions related to retained earnings and other stockholders equity in the balance sheet.
3. Shareholders who are registered at the end of trading on day of the General Assembly will be entitled for the dividends.
4. Dividends will be paid in accordance with the dates specified by the Board of Directors.

As per the company's Article of Association, dividends will be paid based on a General Assembly Resolution as follows:

1. Zakat & Income Tax will be set aside.
2. 20% of the net profits will be set aside to for statutory reserve. The General Assembly may stop allocation to the Statutory Reserve once the reserve is equal to the paid up capital.
3. Subject to General Assembly resolution, the Company may allocate a percentage of the net profit to create an additional reserve to support the financial position of the company.
4. Of the remaining profits an amount not less than 5% of the paid up capital will be distributed to shareholder as a first payment.
5. The remaining profits will be distributed to the shareholders as dividends or it may be transferred to the retained earnings.
6. The Board of Directors may decide to pay interim dividends that will be deducted from the annual dividends specified in 4 above in accordance with applicable rules issued by the concerned regulators.

Obligations, Disclosures and Declarations according to the regulations

a. Compliance with Rules and Regulations

In general, the company complied in 2011 with the laws and regulations applicable in Saudi Arabia. These include:

- Listing Rules issued by CMA.
- Market Code of Conduct issued by CMA.
- Implementing Regulations for the Law on Control of Cooperative Insurance Companies.
- Implementing Regulations for the Market Code of Conduct issued by SAMA.
- Rules of Combating Money Laundering for Insurance Companies issued by SAMA.
- Fraud Combating Regulations for Insurance Companies issued by SAMA.
- Regulation of Reinsurance Activities issued by SAMA
- Risk Management Regulations issued by SAMA.
- Zakat and Income Tax Regulations issued by Zakat and Income Tax Department.
- Labor Law issued by the Ministry of Labor.

b. Compliance with Corporate Governance Regulations

During 2011, the company was in compliance with stipulations indicated in the Corporate Governance Regulations except for the following:

Article	Article No.	Reason for non-compliance
Accumulative voting method should be used for electing Board of Directors in the General Assembly Meeting	Article 6 (b)	The company follows the normal voting method as per the company's Articles of Association.
Specific & explicit policies, standards and procedures for the membership Board of Directors should be laid down and implemented after approval by the General Assembly.	Article (10) (d)	The policies, standards and procedures for membership in the Board of Directors have been prepared and will be presented for approval at the next General Assembly meeting.
On recommendation by the Board of Directors the rules to select members of the Audit Committee, the duration of their membership and the committee's charter should be approved by the General Assembly	Article (14) (b)	The rules to select the members of the Audit Committee, the duration of their membership and the Charter of the Committee have been prepared and will be presented to the next General Assembly meeting.
On recommendation by the Board of Directors rules to select the members of the Nomination & Remuneration Committee, the duration of their membership and the committee's charter should be approved by the General Assembly	Article (15) (b)	The rules to select the members of the Nomination & Remuneration Committee and the duration of their membership and the charter of the committee have been prepared and will be presented to the next General Assembly meeting.

c. Composition of the Board of Directors, Director Categories and Memberships in boards of other Joint Stock Companies for Each Director

The Extraordinary General Assembly held on 26/04/2011 has approved the amending of article (13) of the Article of Association of the company to increase the number of members of the Board Directors from seven to nine members. Also, a new board of directors was elected for the term starting from 01/05/2011 up to 30/04/2014.

Category	Term	Name	Other Joint Stock Companies of which the Directors are Board Members
Non-Executive Director	1st term ended on 30/04/2011	Mr. Mousa A. Al-Rubaian Chairman of the Board (1st term)	SAMBA Financial Group, Saudi Paper Manufacturing Company (SPMC)
	2nd term started 01/05/2011	Mr. Hesham A. Al-Sheikh Chairman (2nd term)	Al-Jazeera Bank (resigned in 24/10/2011)
Independent Directors		Dr. Salman A. Al-Sudairi	
		Mr. Mishari I. Al-Mishari	Saudi Investment Bank (SAIB)
		Mr. Mohammad A. Al-Sheikh	Saudi Paper Manufacturing Company (SPMC) GIB Financial Services LLC
		Mr. Ahmad M. Al-Sabbagh	Islamic Insurance Company (Jordan)
	2nd Term started 01/05/2011	Mr. Jean-Luc Gourgeon	
	2nd Term started 01/05/2011	Mr. Ahmed Halawani	Kingdom Holding Company, National Air Services
Executive Members	2nd term started 01/05/2011	Mr. Fahad A. Al-Hesni	
	1st Term ended 30/04/2011	Mr. Nouhad Iskandar Taleb	

d. Attendance record of board meetings during 2011

Member	Term	1st Meeting 15/02/2011	2nd Meeting 13/04/2011	3rd Meeting 24/05/2011	4th Meeting 15/10/2011	Total
Mr. Mousa A. Al-Rubaian	1st term ended on 30/04/2011	attended	did not attend	•	•	1
Mr. Hesham A. Al-Sheikh	2nd term started 01/05/2011	•	•	attended	attended	2
Dr. Salman A. Al-Sudairi		attended	attended	attended	attended	4
Mr. Mishari I. Al-Mishari		attended	attended	attended	attended	4
Mr. Mohammad A. Al-Sheikh		attended	attended	attended	did not attend	3
Mr. Ahmad M. Al-Sabbagh		attended	attended	attended	attended	4
Mr. Jean-Luc Gourgeon	2nd Term started 01/05/2011	•	•	attended	attended	2
Mr. Ahmed R. Halawani	2nd Term started 01/05/2011	•	•	attended	did not attend	1
Mr. Fahad A. Al-Hesni	2nd term started 01/05/2011	•	•	attended	attended	2
Mr. Nouhad Iskandar Taleb	1st Term ended 30/04/2011	attended	did not attend	•	•	1

• Was not a member at the time.

e. Board committees

During the year under review two new board committees, namely Investment Committee and Risk & Underwriting Committee, were constituted. Subjects allocated to these two committees were previously included within the charter of the Executive Committee. All board committee charters were re-written and approved by the Board of Directors in 2011.

e-1 Executive Committee

Committee Responsibilities	Chairman and Members	No. of meetings during the year
<p>Executive Committee provides recommendations to the board with regard to different subjects such as strategic and business plans. The board may delegate its authorities and responsibilities to the Executive Committee.</p>	Mr. Mousa A. Al-Rubaian - Chairman up to 30/4/2011.	7
	Mr. Hesham A. Al Sheikh - Chairman starting from 01/05/2011	
	Members: Mr. Mishari I. Al-Mishari - up to 30/04/2011	
	Mr. Nouhad Iskandar Taleb - up to 30/04/2011	
	Dr. Salman Al Sudairy	
	Mr. Jean-Luc Gourgeon - starting from 01/05/2011	
	Mr. Fahad A. Al-Hesni - starting from 01/05/2011	

e-2 Audit Committee

Committee Responsibilities	Chairman and Members	No. of meetings during the year
<p>The Audit Committee implements the board's recommendations with regard to supervision of financial reports and assessment of adequacy of internal and external audit processes. The Audit Committee assesses and oversees compliance management processes and internal controls of the company.</p>	Mr. Ahmad M. Al-Sabbagh (Chairman)	6
	Mr. Naim Fakhri Al Jayyousi	
	Mr. Abdullah A. Al-Farraj - upto 28/2/2011	
	Mr. Ali Al-Qahtani- starting from 01/05/2011	

e-3 Nomination and Remuneration Committee

Committee Responsibilities	Chairman and Members	No. of meetings during the year
Nomination and Remuneration Committee assumes several responsibilities including recommendation to the board of nominees for membership based on adopted policies and criteria, annual review of board membership requirement, examine the board structure and recommend the proposed changes, ensure independence of board members and non-existence of conflict of interests, setup clear policies for compensation of board members and senior executives.	Mr. Mohammad Al Sheikh (Chairman)	3
	Dr. Salman Al Sudairy - starting from 01/05/2011	
	Mr. Mishari Al Mishari	

e-4 Investment Committee

Committee Responsibilities	Chairman and Members	No. of meetings during the year
Investment Committee is responsible for overseeing the management of investment portfolio of the company, and design, establishment and execution of the investment policies.	Mr. Ahmed R. Halawani (Chairman) -starting from 01/05/2011	4
	Mr. Mohammad A. Al Sheikh - starting from 01/05/2011	

e-5 Risk and Underwriting Committee

Committee Responsibilities	Chairman and Members	No. of meetings during the year
<p>The Risk and Underwriting Committee oversees the Risk Management and underwriting activities of the Company on behalf of the Board. Key responsibilities include designing the risk management strategy in consistence with the company's commitments to shareholders and regulatory requirements, approving underwriting policies and guidelines, as well as defining the company's risk tolerance and risk appetite.</p>	<p>Mr. Jean –Luc Gougeon (Chairman) - starting from 01/05/2011</p>	<p>4</p>
	<p>Mr. Fahad Al Hesni- starting from 01/05/2011</p>	
	<p>Mr. Mishari Al Mishari- starting from 24/05/2011</p>	

f. Interests of board members, their wives, dependents and their subsidiaries in shares and debt instruments of the company.

The board members, their wives and dependents or any of their subsidiaries do not have any interests in shares or debt instruments of the company other than the share holdings mentioned in 'i' below.

g. Persons with interests in any voting shares who has informed the company of such rights.

No person with interests in voting rights on any category of shares has notified the company of such interests.

h. Description of any investments or reserves established by the company for the benefit of its employees.

The company has not made any investments or reserves for the benefit of its employees.

i. Shareholding percentage of board members and Senior Executives

Name	Term	Number of shares and debt instruments at the beginning of the year	Percentage of ownership at the beginning of the year	Net change in the number of shares during the year	Percentage of change during the year	Total shares held at year end	Percentage of holding at year end
Mr. Mousa A. Al-Rubaian	1st term ended on 30/04/2011	1,025,000	1.025%	0	0	1,025,000	1.025%
Mr. Hesham A. Al-Sheikh and his family (Chairman)	2nd term started 01/05/2011	0	0	10,000	0.010%	10,000	0.010%
Dr. Salman A. Al-Sudairi and his family (board member)		5,000	0.005%	0	0	5,000	0.005%
Mr. Mishari I. Al-Mishari and his family (board member)		5,000	0.005%	0	0	5,000	0.005%
Mr. Mohammad A. Al-Sheikh and his family (board member)		1,000	0.001%	0	0	1,000	0.001%
Mr. Ahmad M. Al-Sabbagh and his family (board member)		400,000	0.40%	0	0	400,000	0.40%
Mr. Jean-Luc Gourgeon and his family (board member)	2nd term started 01/05/2011	0	0	0	0	0	0
Mr. Ahmed R. Halawani and his family (board member).	2nd term started 01/05/2011	0	0	0	0	0	0
Mr. Fahad A. Al-Hesni and his family (executive board member)	2nd term started 01/05/2011	1,500	0.0015%	0	0	1,500	0.0015%
Mr. Nouhad IskandarTaleb	1st term ended 30/04/2011	0	0	0	0	0	0

j. Remunerations of the board members and senior executives

Description	In thousand Saudi Riyals		
	BoD Members (Executives)	BoD Members (Non-Executive & Independent)	5 top Executives including CEO & CFO
Salaries & Benefits	0	0	8,968
Annual compensation	0	0	4,646
Meeting Fees & Expenses	12	272	0
Consultancy fees	0	687	0
Benefits in kind granted monthly or yearly	0	0	0
TOTAL	12	959	13,614

k. Material contracts in which board members have interests

The company paid SR400 thousand to Mr. Mousa A. Al Rubaian as fees for the consultancy services provided up to 30/04/2011. Also the company paid SR287,113.79 to Mr. Jean-Luc Gourgeon as per the agreement entered into with him for consultancy services commencing from 30/04/2011.

l. Internal control systems in the company

The internal control system intends to ensure that control and monitoring tools are in place at reasonable level, soundness of financial reports and mitigation of risks. The results of the annual audit conducted by the external auditor have not revealed any deficiency or weakness in the company's internal control system.

m. Statement of regulatory payments

	In thousand Saudi Riyals
Description	2011
Zakat and Income Tax	16,314
With-holding Tax	1,605
Tadawul fees	430
General Organization for Social Insurance (GOSI)	558
SAMA's control and inspection costs	697
Visas and passports related costs	88
Others	2
Total	19,694

n. External auditors

The ordinary general assembly convened on 26/04/2011 approved the board's recommendation to appoint M/s Deloitte and Touche Bakr Abulhair & Co. and M/s Al-Bassam, Certified Public Accountants and Consultants to act jointly as external auditors of the company for the year ending 31/12/2011.

o. Accounting standards adopted in financial statements

The company applies the international accounting standards (IFRS) other than the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) after securing the approval of SAMA. This has not resulted in any substantial differences in measurements in financial statements. The audit report indicated that the company's financial statements have been prepared in accordance with the internationally recognized accounting standards relating to financial reporting, not SOCPA standards. The reasons were explained in the notes to the financial statements.

p. Declarations

Saudi Re declares:

- It has no loans payable on call or otherwise, and the company has not repaid any loans during the year ended 31/12/2011.
- It has no debt instruments transferable to shares, options, rights issue notes, or other rights issued by the company during the financial year ended 31/12/2011.
- It has no transformation rights or offering under debt instruments transferrable to shares, options, rights issue notes, or any similar rights issued or granted by the company during 2011.
- The company has not redeemed, acquired or revoked from its part any recoverable debts instruments and value of the remaining securities.
- During 2011, the company has not been a party in any contract or in which there has been a substantial interest for the CEO, CFO or any person related to them.
- There have not been any arrangements or agreement under which any board member or senior executive has assigned any salary or compensation.
- There have not been any arrangements or agreement under which one of the company's shareholders has assigned any of his rights in profits.

Saudi Re further declares that:

- Its accounting books have been prepared properly;
- Its internal control system has been prepared on sound bases and implemented effectively;
- There is no doubt as to the company's ability to proceed in its business.

Conclusion

The board of directors extends appreciation and thanks to our valued customers for their trust and to all of our shareholders whose contributions play a significant role in developing the company. The board also extends its appreciation to the company's management and staff for their wholehearted efforts during the year which contributed to the progress of the company.



*Financial Statements
and Auditors' Report*

FOR THE YEAR ENDED 31 DECEMBER 2011

Auditors' Report

TO THE SHAREHOLDERS OF SAUDI REINSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of Saudi Reinsurance Company (the "Company") – A Saudi Joint Stock Company as at 31 December 2011, and the related statements of reinsurance operations, shareholders' operations, shareholders' comprehensive operations, changes in shareholders' equity, reinsurance operations and shareholders' cash flows for the year then ended and the notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION:

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

- Present fairly, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.
- 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:

The management has prepared these financial statements in accordance with International Financial Reporting Standards and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia as presented in note (2).

Deloitte & Touche
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Al Bassam CPAs & Consultants
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Riyadh 11557
Kingdom of Saudi Arabia

Ehsan A. Makhdoum
Certified Public Accountant
Registration No. 358

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

28 Rabi Al-Awwal 1433 H
20 February 2012

	Notes	31 December 2011 SR	31 December 2010 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	8,293,673	3,935,529
Investments held at fair value through income statement	14	44,644,961	-
Premiums receivable	7	19,126,852	10,641,763
Accrued insurance premiums		53,148,018	28,750,649
Retroceded share of unearned premiums	8	24,836,358	34,253,299
Retroceded share of outstanding claims	9	86,634,442	39,410,609
Deferred acquisition costs	10	19,842,071	14,352,440
Deferred excess of loss premiums		10,316,395	1,105,136
Prepaid expenses and other assets	11	238,160	329,975
Due from shareholders' operations		14,017,816	26,734,061
Property and equipment, net	12	2,332,994	2,345,905
TOTAL REINSURANCE OPERATIONS' ASSETS		283,431,740	161,859,366
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	140,053,940	1,168,051
Time deposits	13	258,438,845	403,925,060
Accrued special commission income from time deposits		1,900,346	5,697,284
Accrued special commission income from bonds		2,987,001	2,996,077
Investments held at fair value through income statement	14	256,000,702	307,400,220
Held to maturity investments	15	209,791,799	211,322,003
Statutory deposit	25	100,000,000	100,000,000
Other assets		3,036,627	1,757,379
TOTAL SHAREHOLDERS' ASSETS		972,209,260	1,034,266,074
TOTAL ASSETS			
		1,255,641,000	1,196,125,440
REINSURANCE OPERATIONS' LIABILITIES			
Retrocession balances payable		24,722,282	15,362,298
Accrued retroceded premiums		14,196,773	16,024,650
Gross unearned premiums	8	81,351,095	54,120,481
Gross outstanding claims	9	146,505,565	57,170,229
Unearned commission income	16	6,926,491	10,409,218
Accrued expenses and other liabilities	17	8,790,916	7,825,791
Employees' end of service benefits		938,618	946,699
TOTAL REINSURANCE OPERATIONS' LIABILITIES		283,431,740	161,859,366
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Provision for zakat and income tax	18	25,163,344	21,359,836
Due to reinsurance operations		14,017,816	26,734,061
Other liabilities		3,036,627	1,757,379
TOTAL SHAREHOLDERS' LIABILITIES		42,217,787	49,851,276
SHAREHOLDERS' EQUITY			
Share capital	19	1,000,000,000	1,000,000,000
Statutory reserve	20	6,070,924	6,070,924
Accumulated deficit		(76,079,451)	(21,656,126)
TOTAL SHAREHOLDERS' EQUITY		929,991,473	984,414,798
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY			
		972,209,260	1,034,266,074
TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY			
		1,255,641,000	1,196,125,440

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

	Notes	2011 SR	2010 SR
Gross premiums written	8	159,609,384	107,475,185
Retroceded premiums	8	(55,085,541)	(66,982,564)
Excess of loss expenses		(12,990,125)	(1,622,671)
Net premiums written		91,533,718	38,869,950
Change in net unearned premiums	8	(36,647,555)	(11,387,977)
Net premiums earned		54,886,163	27,481,973
Net claims paid	27	(16,340,515)	(8,221,921)
Change in net outstanding claims	9	(42,111,503)	(10,963,958)
Gross acquisition costs	10	(34,107,510)	(20,784,687)
Commissions on retroceded business	16	19,590,997	15,822,756
Supervision and inspection fees		(952,650)	(429,006)
Net underwriting results		(19,035,018)	2,905,157
Unrealized gains on investments held at fair value through income statement	14	303,091	-
General and administrative expenses	21	(36,268,270)	(24,250,978)
Board of directors' remunerations and expenses	22	(284,350)	(589,635)
Net deficit from reinsurance operations	26	(55,284,547)	(21,935,456)
Net deficit transferred to the statement of shareholders' operations		55,284,547	21,935,456
Net result for the year		-	-

	Notes	2011 SR	2010 SR
Special commission income from time deposits		8,625,201	12,165,258
Special commission income from bonds		9,245,476	8,190,186
Realized gains on investments held at fair value through income statement	14	3,468,229	1,654,717
Unrealized gains on investments held at fair value through income statement	14	552,211	2,915,876
Foreign exchange translation losses		(614,010)	(2,907,372)
Other expenses		(298,439)	(26,932)
Net deficit transferred from reinsurance operations		(55,284,547)	(21,935,456)
Net (loss) / income for the year		(34,305,879)	56,277
Basic and diluted (loss) / earnings per share for the year	24	(0.343)	0.001
Weighted average number of issued shares during the year		100,000,000	100,000,000
<hr/>			
	Notes	2011 SR	2010 SR
Net (loss) / income for the year			
Other comprehensive expenses:			
Zakat and income tax	18	(20,117,446)	(21,274,079)
Total comprehensive loss for the year		(54,423,325)	(21,217,802)

	GCC Founding Shareholders and General Public						Non – GCC Founding Shareholders						Total					
	Notes	Share capital		Statutory reserve		Accumulated deficit		Share capital	Statutory reserve		Retained / earnings / Accumulated (deficit)		Share capital	Statutory reserve		Accumulated deficit		Total
		SR		SR		SR			SR		SR			SR		SR		
Balance as at 1 January 2010	19	941,000,000		5,712,740		(1,510,904)	59,000,000		358,184		1,072,580	1,000,000,000		6,070,924		(438,324)		1,005,632,600
Net income for the year		-		-		52,957	-		-		3,320	-		-		56,277		56,277
Zakat and income tax	18	-		-		(21,273,415)	-		-		(664)	-		-		(21,274,079)		(21,274,079)
Balance as at 31 December 2010		941,000,000		5,712,740		(22,731,362)	59,000,000		358,184		1,075,236	1,000,000,000		6,070,924		(21,656,126)		984,414,798
Balance as at 1 January 2011	19	941,000,000		5,712,740		(22,731,362)	59,000,000		358,184		1,075,236	1,000,000,000		6,070,924		(21,656,126)		984,414,798
Net loss for the year		-		-		(32,281,832)	-		-		(2,024,047)	-		-		(34,305,879)		(34,305,879)
Zakat and income tax	18	-		-		(20,117,446)	-		-		-	-		-		(20,117,446)		(20,117,446)
Balance as at 31 December 2011		941,000,000		5,712,740		(75,130,640)	59,000,000		358,184		(948,811)	1,000,000,000		6,070,924		(76,079,451)		929,991,473

Notes	2011 SR	2010 SR
OPERATING ACTIVITIES		
Net result for the year	-	-
Adjustments for:		
Employees' end of service benefits	602,179	363,072
Depreciation	836,093	1,010,071
Unrealized gains on investments held at fair value through income statement	(303,091)	-
Gains from disposal of property and equipment	(146,695)	-
Net deficit transferred to the statement of shareholders' operations	(55,284,547)	(21,935,456)
Operating deficit before changes in operating assets and liabilities	(54,296,061)	(20,562,313)
Changes in operating assets and liabilities:		
Premiums receivable	(8,485,089)	2,470,531
Accrued insurance premiums	(24,397,369)	(16,494,279)
Retroceded share of unearned premiums	9,416,941	(14,285,130)
Retroceded share of outstanding claims	(47,223,833)	(24,150,608)
Deferred acquisition costs	(5,489,631)	(6,865,661)
Deferred excess of loss premiums	(9,211,259)	(398,897)
Prepaid expenses and other assets	91,815	262,195
Due from shareholders' operations	41,258,922	6,957,529
Retrocession balances payable	9,359,984	(1,881,107)
Accrued retroceded premiums	(1,827,877)	7,983,006
Gross unearned premiums	27,230,614	25,673,107
Gross outstanding claims	89,335,336	35,114,566
Unearned commission income	(3,482,727)	4,280,642
Accrued expenses and other liabilities	965,125	3,326,605
Employees' end of service benefits paid	(610,260)	(26,322)
Net cash from operating activities	22,634,631	1,403,864
INVESTING ACTIVITIES		
Purchase of property and equipment	(826,487)	(185,045)
Proceeds from disposal of property and equipment	150,000	-
Investments held at fair value through income statement	(17,600,000)	-
Net cash used in investing activities	(18,276,487)	(185,045)
NET CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	4,358,144	1,218,819
	3,935,529	2,716,710
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Non - cash transactions:		
Transfer of investments held at fair value through income statement from shareholders' operations	6	8,293,673
	26,741,870	3,935,529

	Notes	2011 SR	2010 SR
OPERATING ACTIVITIES			
Net (loss) / income for the year		(34,305,879)	56,277
Adjustments for:			
Realized gains on investments held at fair value through income statement		(3,468,229)	(1,654,717)
Unrealized gains on investments held at fair value through income statement		(552,211)	(2,915,876)
Net deficit transferred to the statement of shareholders' operations		55,284,547	21,935,456
Operating deficit before changes in operating assets and liabilities		16,958,228	17,421,140
Changes in operating assets and liabilities:			
Due to reinsurance operations		(41,258,922)	(6,957,529)
Other assets		(1,279,248)	(1,076,545)
Other liabilities		1,279,248	1,076,545
Zakat and income tax paid		(16,313,938)	(24,116,243)
Net cash used in operating activities		(40,614,632)	(13,652,632)
INVESTING ACTIVITIES			
Proceeds from investments held at fair value through income statement		470,851,315	794,003,090
Accrued special commission income from time deposits		3,796,938	160,339
Accrued special commission income from bonds		9,076	(1,810,870)
Investments held at fair value through income statement		(442,173,227)	(523,200,000)
Time deposits, net		145,486,215	(160,661,455)
Held to maturity investments		1,530,204	(95,615,725)
Net cash from investing activities		179,500,521	12,875,379
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		1,168,051	1,945,304
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	140,053,940	1,168,051
Non - cash transactions:			
Transfer of investments held at fair value through income statement to reinsurance operations		(26,741,870)	-

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Reinsurance Company (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010250125 dated 12 Jumad Al-Awal 1429H (corresponding to 17 May 2008). The address of the Company's registered office is at P.O. Box 300259, Riyadh 11372, 6th Floor, Bahrain Towers, King Fahd Road, Riyadh, Kingdom of Saudi Arabia.

The objective of the Company is to transact cooperative reinsurance and related activities inside and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

Basis of measurement

The financial statements have been prepared on the historical cost basis, modified to include the measurement at fair value of investments held at fair value through income statement.

Functional and presentational currency

The financial statements are presented in Saudi Arabian Riyals being the functional currency of the Company.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements as of and for the year ended December 31, 2010, except for the adoption of amendments and revisions to existing standards as mentioned below which had no significant financial impact on the financial statements of the Company.

a) IAS 24 Related Party Disclosures:

The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

b) IFRS 7 Financial Instruments: Disclosures:

The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

c) IAS 1 Presentation of Financial Statements:

IAS 1 is amended to clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income also is required to be presented, but is permitted to be presented either in the statement of changes in shareholders' equity or in the notes.

Other amendments resulting in improvements to the following standards also did not have any material impact on the accounting policies, financial position and performance of the Company:

- IFRS 7 – Financial Instruments, Disclosures;
- IAS 1 – Presentation of Financial Statements;
- IAS 32 – Financial Instruments: Presentation.

The Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Basis of presentation

The Company maintains separate books of account for the reinsurance and shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by Management and the Board of Directors.

Reinsurance

The Company uses retrocession agreements to increase its aggregate underwriting capacity, and to reduce its exposure to catastrophic losses on risks assumed. The ceding of risk to retrocessionaires does not relieve the Company from its direct obligations to its ceding companies.

An impairment review of amounts recoverable under retrocession agreements is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. 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 retrocessionaire can be measured reliably. The impairment loss is recorded in the statement of reinsurance operations.

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

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and at banks and time deposits with a maturity of three months or less at the date of original acquisition.

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of reinsurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are expensed when incurred.

Subsequent to initial recognition, deferred costs are amortized using the same basis for unearned premiums. Amortization is recorded in the statement of reinsurance 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 reinsurance operations. DAC is also considered in the liability adequacy test for each reporting period.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation less any impairment in value.

Depreciation is charged to the statement of reinsurance operations on a straight line basis over the estimated useful lives of the assets as follows:

Computers and equipment	3-5 Years
Furniture and fixtures	5 Years
Motor vehicles	4 Years
Leasehold improvements	10 Years

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of reinsurance operations or the statement of shareholders' operations.

Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of reinsurance operations or the statement of shareholders' operations;
- For assets carried at cost, impairment is the difference between carrying value 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 the difference between carrying amount and the present value of future cash flows discounted at the original effective special commission rate.

Written Premiums

Gross premiums written comprise of total premiums in relation to contracts incepting during the financial year irrespective of whether they relate in whole or in part to a later accounting period. It includes an estimate of pipeline premiums, being those premiums written but not reported to the company at the statement of financial position date. Pipeline premiums are reported as accrued insurance premiums.

Premiums earned and commission income

Premiums and commission income are taken into income over the periods to which they relate to cover the reinsurance risk. Unearned premiums and commission income represent the portion of premiums written and commission income relating to the unexpired period of coverage and is deferred based on the following methods:

- For proportional reinsurance treaties under consideration of the underlying exposure in relation to the line of business as follows:

Line of business	Years
Engineering	4
Marine	1.5
Others	2

- Actual number of days for facultative reinsurance and non proportional reinsurance treaties and portfolio transferred from insurance companies.

The change in the provision for unearned premiums and commission income is taken to the statement of reinsurance operations in order to recognize revenue over the period to cover the reinsurance risks.

Claims

Claims, comprising amounts payable to ceding companies under reinsurance contracts and related loss adjustment expenses, net of recoveries and are charged to income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the balance sheet date whether reported or not. Provisions for reported claims not paid as at the balance sheet date are made on the basis of individual case estimates. 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 statement of financial position date.

Any difference between the provisions at the statement of financial position date and settlements and provisions for the subsequent year is included in the underwriting account for that year.

Liability adequacy test

At each statement of financial position date, a liability adequacy test is performed to ensure the adequacy of the reinsurance contracts liabilities net of related deferred acquisition costs. In performing these tests, Management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of reinsurance operations initially by writing off related deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

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

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Special commission income from time deposits

Special commission income from time deposits is recognized on an effective yield basis taking account of the principal outstanding and the applicable special commission rate.

Investments held at fair value through income statement

Investments held at fair value through income statement are investments designated at fair value through income statement at inception. For investments designated as fair value through income statement, the following criteria must be met:

- This designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognising gains or losses on a different basis, or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, such assets and liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are measured at fair value.

Fair value adjustments and realised gains and losses are recognized in the statement of reinsurance operations and the statement of shareholders' operations.

Held to maturity investments

Investments with fixed or determinable payments whereby the Company has the positive intention and ability to hold till maturity are measured, after acquisition, at amortized cost less impairment in its value. The amortized cost is computed taken into consideration the discount or the premium at the acquisition date. Income or loss resulting from these investments is recognized in the statement of shareholders' operations upon derecognizing these investments or impairment in its value.

Employees' end of service benefits

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

Leases

Operating lease payments are recognized as expenses in the statement of reinsurance operations on a straight-line basis over the lease contract.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the respective statements of reinsurance operations or shareholders' operations.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian Zakat and Tax Regulations. As per the Company's by-laws, Zakat and income tax charge is distributed to the shareholders. Accordingly income tax is charged to Non-GCC founding shareholders' equity account while the Zakat is charged to the GCC founding shareholders and general public equity account.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) as a result of past events, and it is more likely that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 realise the assets and settle the liability simultaneously. Income and expense is not offset in the statements of reinsurance operations and shareholders' operations unless required or permitted by any accounting standard or interpretation.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing services (a business segment) or in providing services within a particular economic environment (a geographic segment), which is subject to its income and losses 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 six main reportable segments as follows:

- Engineering, provides coverage for builder's risks, construction, 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.
- Marine, provides coverage for goods in transit and the vehicles of transportation on main ways, and any other insurance included under this class of insurance.
- Motor, provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Life, provides coverage for Individual or group of individuals against death, disability and chronic diseases.
- Health, provides coverage medical costs, medicines, and all other medical services and supplies.

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 year. 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.

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 revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

The ultimate liability arising from claims made under reinsurance contracts

The estimation of the ultimate liability arising from claims made under reinsurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that are 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 statement of financial position date, for which the insured event has occurred prior to the statement of financial position date. The primary technique adopted by 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 acquisition costs

Certain acquisition costs related to the incoming reinsurance contracts are recorded as deferred acquisition costs (DAC) and are amortized in the statement of reinsurance operations over the related period of the contracts.

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 Company's financial assets consist of cash and cash equivalents, time deposits, statutory deposit, investments held at fair value through income statement, held to maturity investments, premiums receivables, accrued insurance premiums, other assets and its financial liabilities consist of retrocession balances payable, accrued retroceded premiums, and other liabilities.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position 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.

As at 31 December 2011, all financial instruments which are fair valued are Level 1 instruments.