



Annual Report
2013

saudi-re.com



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CHAIRMAN'S MESSAGE

2013 was a fairly benign year for the international reinsurance market. Despite some large events, such as the extreme weather in Europe, losses from natural catastrophes diminished (on a global basis) compared to the preceding ten years. Events in Saudi Arabia, however, put pressure on the local insurance industry due to high occurrence of fire events, which resulted in adverse financial performance for the primary insurance industry.

In global terms, we see mixed developments for the global reinsurance industry in the year ahead. There are already signs that competition is further reducing pricing. There is no shortage of capacity, except in some very specialist classes, and insurance linked securities now appear a permanent source of additional capital for catastrophe risks. In terms of costs, the need to comply with more stringent regulation in some areas is squeezing margins. Interest rates look like creeping up, but with the associated risk of rising inflation.

On the positive side, recovery in developed countries and economic growth in emerging markets should increase demand for insurance products. Although only a few advanced countries are likely to demonstrate real growth, in contrast, some robust, emerging markets offer high potential for reinsurers opportunity that we are actively exploring.

Turning to our domestic market, the environment in Saudi Arabia proved challenging last year. Fire losses were exceptionally high in terms of both frequency and severity. Together with Medical and Motor losses and hence, more cautious reserving, these contributed significantly to poorer underwriting results.

We believe that increased regulation in the Saudi Arabian market in recent years, reflecting the international trend for regulatory reforms, is likely to favorably impact conditions in what has been a highly competitive domestic market. Hopefully, the need to comply with new requirements - largely designed to increase transparency and improve security for investors and policyholders alike - may curb the number of new entrants to the market, and rationalize unrealistic pricing of risks. In essence, regulatory



compliance should improve financial performance for robust market participants.

For Saudi Re, 2013 was a challenging year due to our relative exposure to the local markets. We suffered an adverse effect on our financial performance in line with industry performance. However, we also recorded many notable successes during 2013. Saudi Re achieved a 71% growth in gross written premiums, exceeding US\$100m (SAR420m compared to 245m), as well as we improved our total expense ratio significantly to represent less than 35% of net written premium. We also had a record high investment income of SAR55m resulting from portfolio rebalancing actions during 2013 and in previous years. In addition, we maintained our Standard & Poor's BBB+ rating with a stable outlook, along with getting a regional rating of gcAA.

Saudi Re has been at the forefront of industry interaction at the highest level to take steps to address domestic challenges. We have reassessed our reserves actuarially and strengthened policyholder reserves very conservatively, to protect our risk portfolio from any unknown exceptional losses sustained up to the year 2013.

We have also critically reviewed both our business segments and our geographical focus areas. For example, we are increasing our presence in those business sectors which we believe have the greatest potential for profitability in Saudi Arabia such as life insurance and engineering, while limiting our exposure to potentially high property losses.

Geographically, our diversification strategy so far has resulted in nearly half of our portfolio consisting of business written from outside of Saudi Arabia. It is being further strengthened by targeting African Market and the establishment of our first branch outside Saudi Arabia in Labuan, Malaysia.

In addition, during 2013, Saudi Re continued to build its technical and operational competencies for better risk management and monitoring. In 2014, we intend to further enhance our capabilities in order to build our competitive position towards achieving our long term goal of being a strong multi regional player in the reinsurance market and a desirable participant in major business opportunities.

We believe that with profitable growth continuing to be our key focus these proactive steps form the foundations to build a more robust organization in the long term.

Finally, I would like to thank those who have contributed to the continued success of Saudi Re. They include our shareholders, clients and business partners for their continued confidence in the company, as well as the board of directors, management and our employees. I would also like to thank SAMA for its valuable contribution, both in overseeing the cooperative insurance market and introducing regulations to ensure good corporate governance. Thanks also go to the Labuan Financial Services Authority (LFSA) for their granting Saudi Re the opportunity to be part of the Malaysian market.

Mr. Hesham Al-Sheikh
Chairman of The Board

BOARD OF DIRECTORS



Mr. Hesham Al Sheikh
Chairman of The Board



Mr. Ahmad Al Sabbagh
Member of The Board



Mr. Mishari Al Mishari
Member of The Board



Mr. Ismail Mahbob
Member of The Board



Dr. Salman Al Sudairi
Member of The Board



Mr. Hammam Badr
Member of The Board



Mr. Mansour Al Busaily
Member of The Board



Mr. Jean-Luc Gourgeon
Member of The Board



Mr. Fahad Al Hensi
Managing Director-CEO





إعانة
Saudi Re



DIRECTORS' REPORT

DIRECTORS' REPORT

To: The valued shareholders of the Saudi Cooperative Reinsurance Company (Saudi Re) for the financial year ended 31 December 2013.

The board of directors (BoD) 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 2013, 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 plans & board resolutions

- Approval of the structure of the retrocession program for 2013/2014
- Approval of establishing a branch in Labuan, Malaysia
- Appointment of an independent board member
- Approval of the 2014-2018 Business Plan
- Approval of criteria for evaluating the Board Committees

b. Operating activities

b-1 Marketing and Sales

Saudi Re achieved an excellent top line growth in 2013 recording 71% growth rate which places the company at an improved scale of operations. The Company continued to support its clients in the Kingdom and MENA countries, while steadily diversifying into selected markets in Asia & Africa. In line with this expansion plan, Saudi Re launched its branch in Malaysia having been granted license to carry on general reinsurance business from the Labuan Financial Services Authority.

The Company has focused on strengthening its client management approach with clients and brokers which resulted in expanding its client base from 169 in 2012 to 212 in 2013 representing 30 countries.

Furthermore, a number of market seminars were conducted in addition to sponsoring industry conferences such as the 2nd Saudi Insurance Symposium, the African Insurance Organization, Saudi Mega Projects Conference and the International Takaful Summit.

b-2 Underwriting & Claims

Saudi Re succeeded in maintaining balance and growth in its portfolios while applying prudent underwriting policy. Results attributable to the property account KSA were well below expectations and strong measures have been taken to bring expected results back within acceptable parameters. These measures have included non-renewal of business deemed long term loss making. Further strengthening the in-house actuarial team is planned in 2014 to support the underwriting function. Also, the company has also a well-established claims department to efficiently manage claims.

The retrocession programme 2013/14 remains predominantly non-proportional which was supportive of the net premium growth. The programme was improved and the quality of the support for the programmes remains first class.

b-3 Manpower and training

- The company has succeeded in attracting national and international cadres of distinguished expertise.
- The Saudization percentage has been increased to 53%.
- The company continues developing and implementing training programs for employees internally and externally in order to enhance their knowledge and skills.
- A number of professional and academic qualifications were achieved by Saudi Re staff.
- A number of HR procedures were implemented in 2013.
- A new HR system with employees' on-line services was implemented and used by all employees for better data recording, more efficient services and to ultimately have a paper-less environment.

b-4 Information systems

- The core operating system has been successfully implemented
- Phase II of IT Disaster Recovery Site has been implemented
- A new reporting tool was launched for retrocession management
- Arrangements for a new data center for the new head office have been completed

b-5 General developments

- The Company has maintained its rating of BBB+ with a stable outlook in addition to obtaining 'gcAA' Gulf Cooperation Council (GCC) regional scale rating with a stable outlook from Standard & Poor's.
- The Company received a license from Labuan Financial Services Authority in Malaysia to carry on general reinsurance services based on the approval of the Saudi Arabian Monetary Agency.
- The Extraordinary General Assembly has approved the amendment of Article 16 of the Article of Association extending the authorities of the Board of Directors.

c. Business prospects

In general, as the effect of price-led competition and overcapacity persist, the marketplace in 2014 is expected to remain competitive and challenging for reinsurers. However, due to the losses suffered by the insurance sector market for Saudi Arabia in 2013 and to take the necessary measures to increase technical reserves and a review of pricing policies, it is expected to affect positively on the performance of the market in the year 2014

Saudi Re remains focused on its strategy of on strengthening its competitive position in its core market in KSA and diversify thoughtfully into MENA, Asian and African markets. The additional reserve Saudi Re has chosen to take on in 2013, further reinforces its financial position, which increases the company's growth opportunities. Saudi Re works to upgrade its underwriting capabilities especially in the lines of business of engineering, energy and excess of loss in order to drive its future growth strategy.

As for investments, the current strategy adopted by the Company is expected to yield acceptable returns on its investments in 2014, barring any adverse developments beyond its control.

d. Current and future risks

In pursuing its objectives to create wealth for shareholders the Company takes on risks that fall within its risk appetite in order to achieve sustainable and profitable growth. The key business risks faced by the company are; strategic risk, insurance risk, credit risk, market risk, liquidity risk and operational risks.

In executing the Company business plan the Company may face the following risks:

- Fierce competition from regional and global reinsurers.
- Catastrophic losses.
- Accumulation risks.
- Concentration risks.
- Risks of non-compliance with the regulatory authority regulations, especially the Capital Market Authority (CMA) and Saudi Arabian Monetary Agency (SAMA).
- Risks arising from investment activities.
- Risks associated with setting up & operating a new office in Labuan, Malaysia.

Saudi Re manages its risks through Enterprise Risk Management system (ERM) which will continue to evolve as the business grows. The ERM framework involves identification of risks to the Company and taking appropriate risk management actions to optimize the exposure to risks. All risk management actions will be assessed and determined in reference to the risk tolerance and the risk appetite of the Company.

Operating Results and Significant Differences

a. Statement of financial position for the past five years

	In thousand Saudi Riyals				
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
REINSURANCE OPERATION'S ASSETS					
Cash and cash equivalents	5,269	583	8,294	3,935	2,717
Investments held at fair value through income statement	95,329	83,244	44,645	-	-
Premiums receivable	70,493	27,608	19,127	10,642	13,112
Accrued insurance premiums	164,869	91,901	53,148	28,751	12,256
Retroceded share of unearned premiums	2,344	5,755	24,836	34,253	19,968
Retroceded share of outstanding claims	104,888	42,123	86,634	39,411	15,260
Deferred acquisition costs	54,446	32,506	19,842	14,352	7,487
Deferred excess of loss premiums	15,717	11,593	10,316	1,105	-
Prepaid expenses and other assets	1,069	968	238	330	1,299
Due from shareholders' operations	173,316	6,385	14,018	26,734	11,756
Property and equipment, net	7,337	5,303	2,333	2,346	3,171
Total Reinsurance Operations' Assets	695,077	307,969	283,431	161,859	87,026
SHAREHOLDERS' ASSETS					
Cash and banks balances	85,674	615	140,054	1,168	1,945
Time deposits	37,500	187,500	258,439	403,925	243,263
Accrued special commission income from time deposits	1,040	478	1,900	5,697	5,858
Accrued special commission income from bonds	3,295	3,280	2,987	2,996	1,185
Investments held at fair value through income statement	595,180	445,743	256,001	307,400	573,633
Held to maturity investments	173,995	209,047	209,792	211,322	115,706
Statutory deposit	100,000	100,000	100,000	100,000	100,000
Property and equipment	32,992	29,784	-	-	-
Other assets	5,738	4,283	3,037	1,758	681
Total Shareholders' Assets	1,035,414	980,730	972,210	1,034,266	1,042,271
Total Assets	1,730,491	1,288,699	1,255,641	1,196,125	1,129,297

	In thousand Saudi Riyals				
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
REINSURANCE OPERATIONS' LIABILITIES					
Accounts Payable	8,143	4,768	2,486	-	-
Retrocession balances payable	7,615	3,266	22,236	15,362	17,243
Accrued retroceded premiums	4,463	4,243	14,197	16,025	8,042
Gross unearned premiums	215,025	122,379	81,351	54,120	28,447
Gross outstanding claims	424,277	159,413	146,505	57,170	22,056
Premium Deficiency Reserve	26,167	-	-	-	-
Unearned commission income	811	1,581	6,926	10,409	6,129
Surplus distribution payable	932	932	-	-	-
Accrued expenses and other liabilities	5,923	10,025	8,791	7,826	4,499
Employees' end of service benefits	1,721	1,362	939	947	610
Total Reinsurance Operations' Liabilities	695,077	307,969	282,945	161,859	87,026
Shareholders' Liabilities And Equity					
SHAREHOLDERS' LIABILITIES					
Accounts Payable	500	1,000	-	-	-
Provision for zakat and income tax	33,185	30,087	25,163	21,359	24,202
Due to reinsurance operations	173,316	6,385	14,018	26,734	11,756
Other liabilities	6,641	4,283	3,037	1,758	681
Total Shareholders' Liabilities	213,642	41,755	42,218	49,851	36,639
Shareholders' Equity					
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Statutory reserve	6,071	6,071	6,071	6,071	6,071
Accumulated deficit/retained Earnings	(184,299)	(67,095)	(76,079)	(21,656)	(439)
Total Shareholders' Equity	821,772	938,976	929,992	984,415	1,005,632
Total Shareholders' Liabilities And Equity	1,035,414	980,731	972,210	1,034,266	1,042,271
Total Reinsurance Operations' Liabilities, Shareholders' Liabilities and Equity	1,730,491	1,288,700	1,255,641	1,196,125	1,129,297

b. Results of operations for the past five years

Description	In thousand Saudi Riyals				
	2013	2012	2011	2010	2009
Gross written premiums	420,086	245,032	159,609	107,475	51,053
Retroceded premiums	(6,449)	(3,319)	(55,085)	(66,982)	(34,765)
Excess of loss expenses	(27,817)	(22,427)	(12,990)	(1,623)	(1,576)
Net written premiums	385,820	219,286	91,534	40,492	16,288
Change in net unearned premium	(96,057)	(60,110)	(36,648)	(11,388)	(7,946)
Net earned premiums	289,763	159,177	54,886	27,482	6,766
Net claims incurred	(300,257)	(92,238)	(58,452)	(19,186)	(5,077)
Premium deficiency reserve	(26,167)	-	-	-	-
Acquisition costs	(83,330)	(49,786)	(34,108)	(20,785)	(5,948)
Commissions on retroceded business	3,437	6,123	19,591	15,823	4,808
Supervision & Inspection fees	(2,100)	(1,225)	(952)	(429)	-
Net underwriting results	(118,654)	22,050	(19,035)	2,905	549
Realized gains on investments held at fair value through income statement	39	48	-	-	-
Unrealized gains on investments held at fair value through income statement	658	637	303	-	-
Other Income	102	4,160	-	-	-
Investment management expenses	(191)	(37)	-	-	-
General and administrative expenses	(21,558)	(17,536)	(18,351)	(24,251)	(20,485)
Board of directors' remunerations and expenses	-	-	-	(589)	(610)
Net Deficit / Surplus from reinsurance operations' results	(139,604)	9,321	(37,083)	(21,935)	(20,546)
Shareholders appropriation from reinsurance operations (deficit)/ Surplus	139,604	(8,389)	37,083	21,935	20,546
reinsurance operations' Surplus after Shareholders appropriation	-	932	-	21,935	20,546

	In thousand Saudi Riyals				
Description	2013	2012	2011	2010	2009
Accumulated surplus at beginning of the year	932	-	-	-	-
Accumulated surplus at the end of the year	932	932	-	-	-
Investment Revenues	54,781	32,658	21,890	24,925	25,375
Foreign exchange translation gains / (losses)	1,124	103	(614)	(2,934)	-
Other Income	-	2,250	-	-	-
Investment management expenses	(2,311)	(1,841)	(298)	-	-
General and administrative expenses	(13,309)	(11,279)	(17,917)	-	-
Board of directors' remunerations, meeting fees and expenses	(335)	(1,327)	(284)	-	-
Shareholders appropriation from reinsurance operations (Deficit) / Surplus	(139,604)	8,388	(37,083)	(21,935)	(20,546)
Net loss/ income for the year	(99,654)	28,952	(34,306)	56	4,829





Notes on the reinsurance operations' variances with prior year

Description	2013	2012	Variations + or (-)	Change %
Gross written premiums	420,086	245,032	175,054	71%
Retroceded premiums	(6,449)	(3,319)	(3,130)	94%
Excess of loss expenses	(27,817)	(22,427)	(5,390)	24%
Net written premiums	385,820	219,286	166,534	76%
Change in net unearned premium	(96,057)	(60,110)	(35,947)	60%
Net earned premiums	289,763	159,177	130,586	82%
Net claims incurred	(300,257)	(92,238)	(208,019)	226%
Premium deficiency reserve	(26,167)	-	(26,167)	-
Acquisition costs	(83,330)	(49,786)	(33,544)	67%
Commissions in retroceded business	3,437	6,123	(2,686)	44%
Supervision & Inspection fees	(2,100)	(1,225)	(875)	71%
Net underwriting results	(118,654)	22,050	(140,704)	638%
Realized gains on investments held at fair value through income statement	39	48	(9)	19%
Unrealized gains on investments held at fair value through income statement	658	637	21	3%
Other Income	103	4,160	(4,057)	97%
Investment management expenses	(191)	(37)	(154)	416%
General and administrative expenses	(21,558)	(17,536)	(4,022)	23%
Net Deficit / Surplus from reinsurance operations' results	(139,604)	9,321	(148,925)	1598%
Shareholders appropriation from reinsurance operations (Deficit) / Surplus	139,604	(8,389)	147,993	1764%
Reinsurance operations' Surplus after Shareholders appropriation	-	932	(932)	-
Accumulated surplus at beginning of the period /year	932	-	932	-
Accumulated surplus at the end of the year	932	932	-	(-)

c. Main lines of business and results

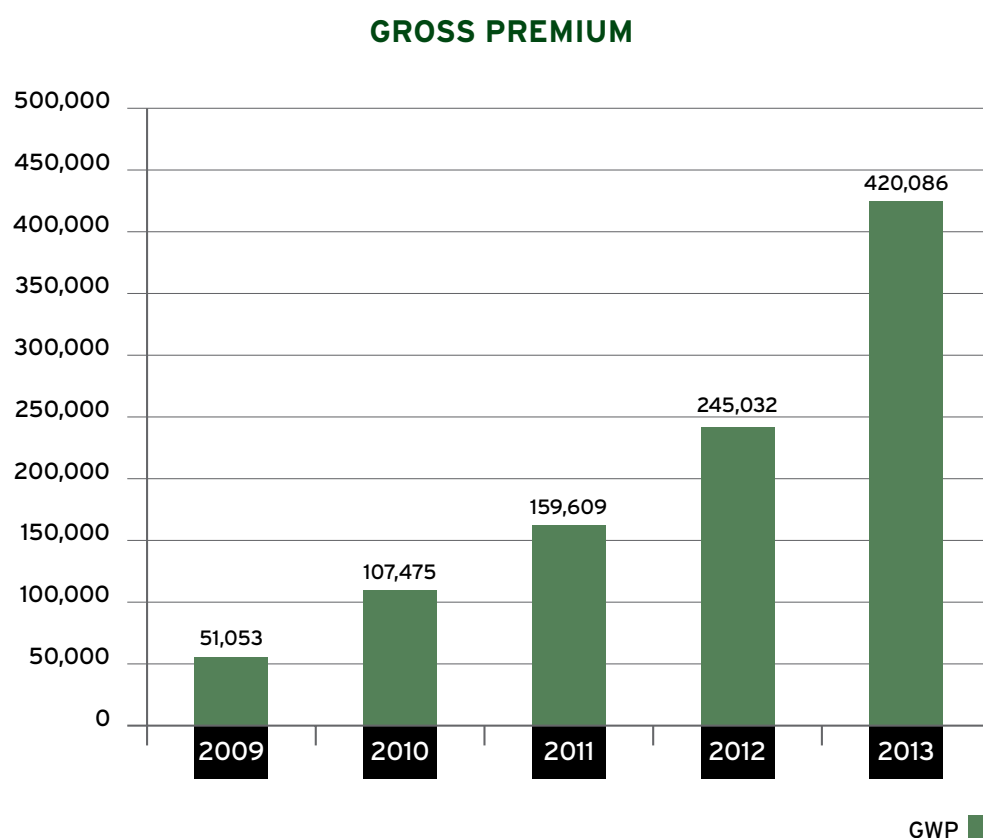
Saudi Re conducts business on facultative and treaty reinsurance basis in Saudi Arabia, Arab countries, MENA countries Asia and Africa with its head office in Riyadh. The company comprises business units based on its services and products. These are engineering, fire, marine, motor, accident, medical and life segments.

Description	In thousand Saudi Riyals						
	Fire	Engineering	Marine	Motor	Life	Others	Total
Gross written premiums	159,958,612	76,638,325	45,638,048	50,625,872	51,314,090	35,911,389	420,086,336
Retroceded premium	(360,083)	(5,076,426)	(607,123)	-	(277,526)	(128,041)	(6,449,199)
Excess of loss expenses	(18,709,936)	(4,361,535)	(2,454,048)	(352,128)	(637,923)	(1,301,192)	(27,816,762)
Net written premiums	140,888,593	67,200,364	42,576,877	50,273,744	50,398,641	34,482,156	385,820,375
Change in net unearned premiums	(18,892,871)	(27,786,432)	(7,254,915)	(19,690,726)	(17,286,135)	(5,146,729)	(96,057,808)
Net earned premiums	121,995,722	39,413,932	35,321,962	30,583,018	33,112,506	29,335,427	289,762,567
Net claims incurred	(170,986,474)	(37,609,596)	(19,992,771)	(20,877,101)	(20,130,619)	(30,660,260)	(300,256,821)
Premium deficiency reserve	(22,775,640)	-	-	(3,391,361)	-	-	(26,167,000)
Acquisition costs	(37,766,576)	(18,726,487)	(11,601,366)	(7,270,845)	(1,680,801)	(6,284,106)	(83,330,181)
Commissions in retroceded business	399,699	2,831,752	227,494	-	7,919	(29,439)	3,437,425
Supervision and inspection fees	(799,794)	(383,191)	(228,190)	(253,129)	(256,571)	(179,557)	(2,100,432)
Net underwriting results	(109,933,063)	(14,473,590)	3,727,129	(1,209,417)	11,052,434	(7,817,935)	(118,654,436)

d. Written premiums and geographic analysis

Gross written premiums written rose by 71.4% in 2013 to SR 420,086 thousand from SR 245,032 thousand in 2012. This increase is attributed to marketing and sales activities in local , Africa and other countries in MENA markets during 2013.

The following graph indicates the gross premiums written during the period 2009-2013 (in thousand Saudi Riyals).



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

Segment	In thousand Saudi Riyals	
	2013	2012
Fire	159,959	95,623
Engineering	76,638	62,183
Marine	45,638	30,314
Motor	50,626	12,219
Life	51,314	15,758
Others	35,911	28,935
Total	420,086	245,032

Geographical analysis of gross premiums written

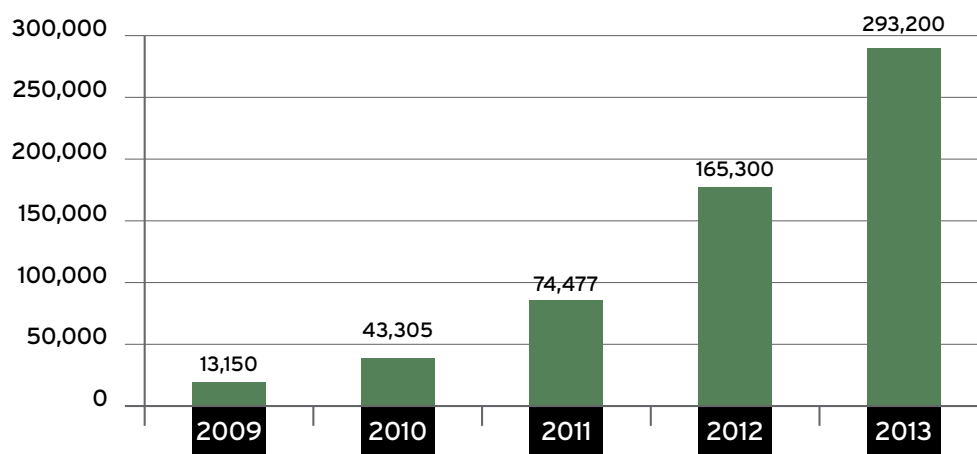
Geographical segment	2013		2012	
	Thousand Saudi Riyals	%	Thousand Saudi Riyals	%
Kingdom of Saudi Arabia	221,272	53%	146,951	60%
Other Middle Eastern Countries	75,850	18%	47,726	20%
Africa	63,565	15%	15,263	6%
Emerging Markets	59,399	14%	35,092	14%
Total	420,086	100%	245,032	100%

e. Total underwriting revenues

Total underwriting revenue (Net Earned Premiums + Commissions in retroceded business) rose by 77% to SR 293,200 thousand in 2013 from SR 165,300 thousand in 2012 as a result of increase in net premiums earned from SR 159,177 thousand in 2012 to SR 289,763 thousand in 2013, recording 82% growth rate.

The following diagram shows the total revenues from 2009-2013 (in thousand Saudi Riyals).

TOTAL UNDERWRITING REVENUE



f. Incurred claims

The net claims incurred to clients after deduction of reinsurers share increased by 225% to SR 300,257 thousand in 2013 from SR 92,238 thousand in 2012.

g. Total costs and expenses

Total costs and expenses for policyholders’ operations increased by 170% to SR 433,604 thousand in 2013 from SR 160,822 thousand in 2012 due mainly to large claim ratio and additional reserves (PDR, IBNR & UPR) which were recommended by our external actuary, and the regulator in the Q4-2013.

Total costs and expenses for shareholders’ operations increased by 10% to SR 15,955 thousand in 2013 from SR 14,447 thousand in 2012.

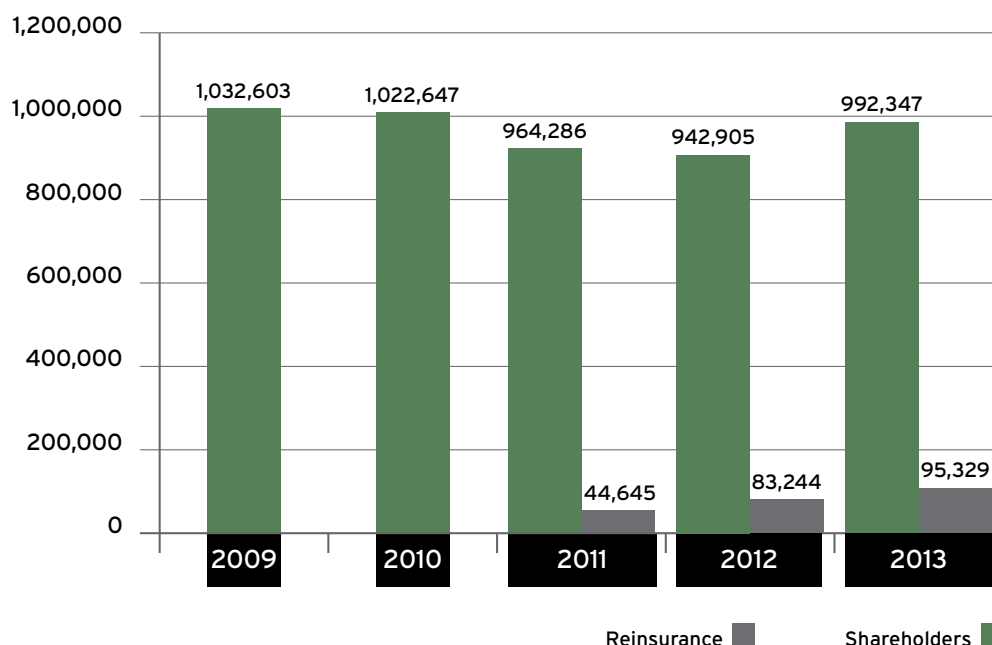
h. Total investments

Total shareholders’ investments were SR 992,347 thousand in 2013 as compared with SR 942,905 thousand in 2012, higher by 5%.

The total reinsurance operations investments were SR 95,329 thousands in 2013 compared with SR 83,244 thousands in 2012, increasing by 14%.

The following figure shows total investments during the period 2009-2013(in thousand Saudi Riyals).

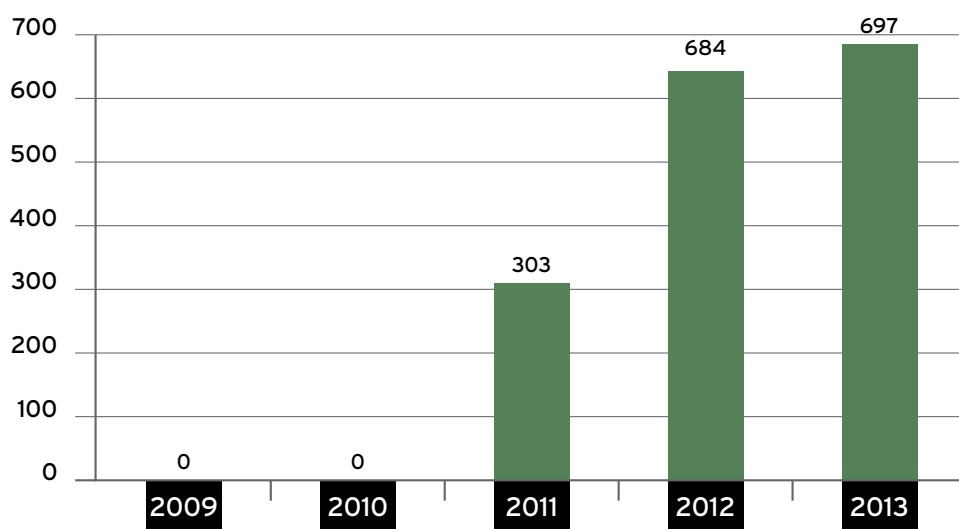
TOTAL INVESTMENTS



i. Income from reinsurance operations fund investments

Income generated from investments of reinsurance funds were SR 697 thousand in 2013 as compared with SR 684 thousand in 2012, increased by 2%.

INVESTMENT INCOME REINSURANCE OPERATIONS

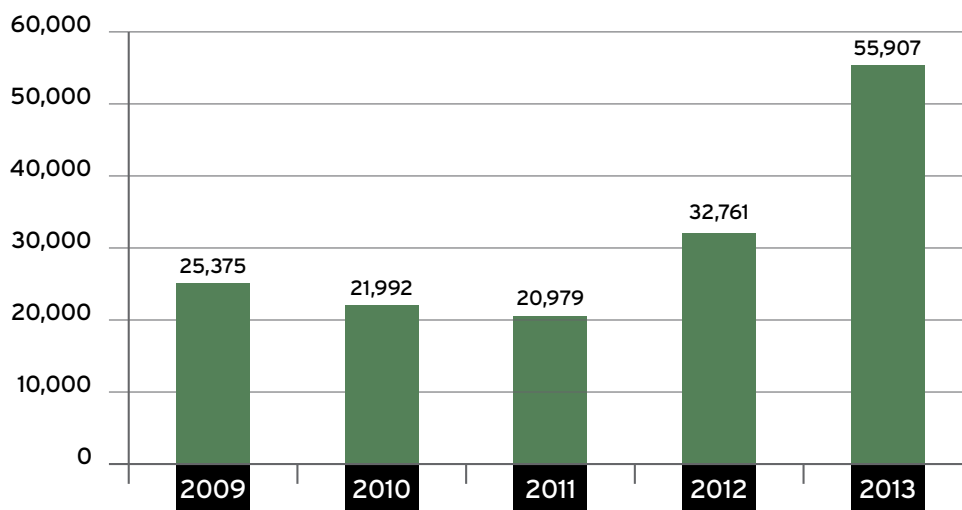


j. Income from shareholder's fund investments

Revenue from shareholder's fund investments was SR 55,907 thousand in 2013 as compared with SR 32,761 thousand in 2012, increased by 71%.

The following figure depicts the total income from shareholder's investments during the period 2009-2013 (in thousand Saudi Riyals).

SHAREHOLDERS' INVESTMENT INCOME



Geographical analysis of total income from the company investments

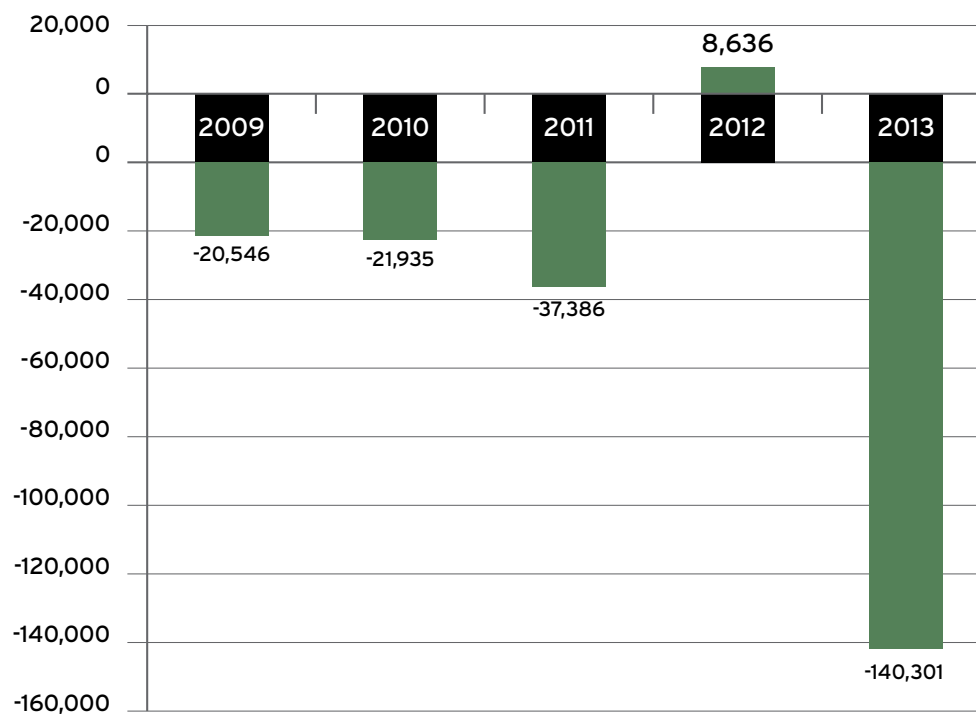
Geographical segment	2013		2012	
	Thousand Saudi Riyals	%	Thousand Saudi Riyals	%
Within the Kingdom of Saudi Arabia	19,192	35	16,424	50%
Outside the Kingdom of Saudi Arabia	36,715	65	16,337	50%
Total	55,907	100	32,761	100%

k. (Deficit)/Surplus from reinsurance operations

Reinsurance operations before investment returns posted a deficit of SR 140,301 thousand during 2013 as compared with a surplus of SR 8,636 thousand in 2012. This deficit is transferred to the Statement of Shareholders' Operations.

The following figure shows the (deficit)/surplus in reinsurance operations during 2009-2013 (in thousand Saudi Riyals).

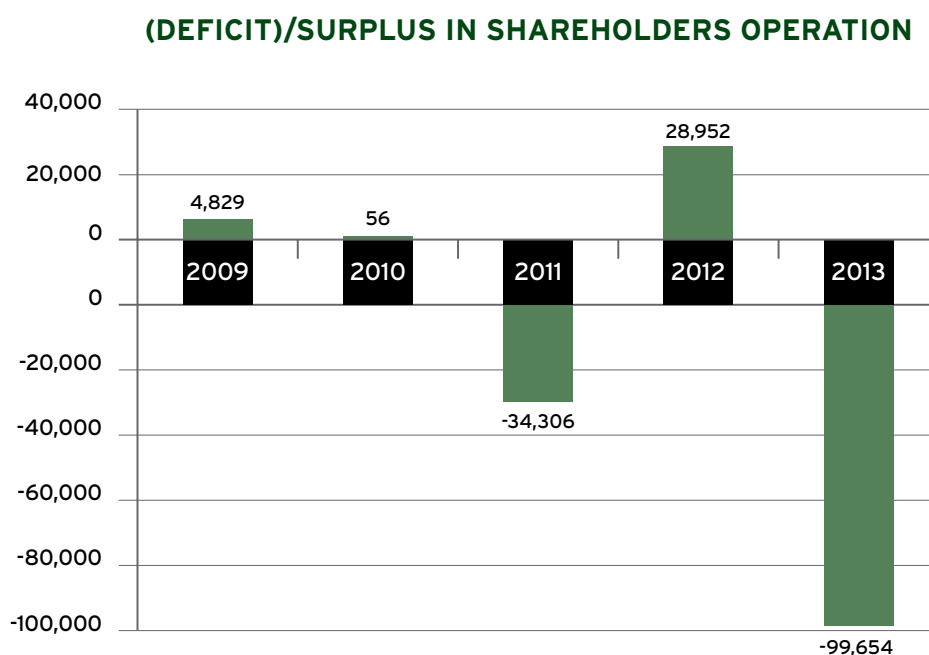
(DEFICIT)/SURPLUS IN REINSURANCE OPERATIONS



I. (Deficit)/Surplus in shareholders operation

Shareholders operations posted loss of SR 99,654 thousand in 2013 as compared with income of SR 28,952 thousand in 2012,

The following diagram indicates total net income from shareholders operations during the period 2009-2013 (in thousand Saudi Riyals).



Statement of Shareholders Operations during the Period 2009-2013

Description	In thousand Saudi Riyals				
	2013	2012	2011	2010	2009
Investment Revenues	54,781	32,658	21,890	24,925	25,375
Foreign exchange translation gains / (losses)	1,124	103	(614)	(2,934)	-
Other Income	-	2,250	-	-	-
Investment management expenses	(2,311)	(1,841)	(298)	-	-
General and administrative expenses	(13,309)	(11,279)	(17,917)	-	-
Board of directors' remunerations, meeting fees and expenses	(335)	(1,327)	(284)	-	-
Shareholders appropriation from reinsurance operations (deficit)/Surplus	(139,604)	8,389	(37,083)	(21,935)	(20,546)
Net (Loss) / Income for the year	(99,654)	28,952	(34,306)	56	4,829





m. Total comprehensive income/(deficit)

Total comprehensive deficit was SR 117,204 thousand in 2013 as compared with income SR 8,984 thousand in 2012,

Statement of Shareholders Comprehensive Operations during the Period 2009-2013

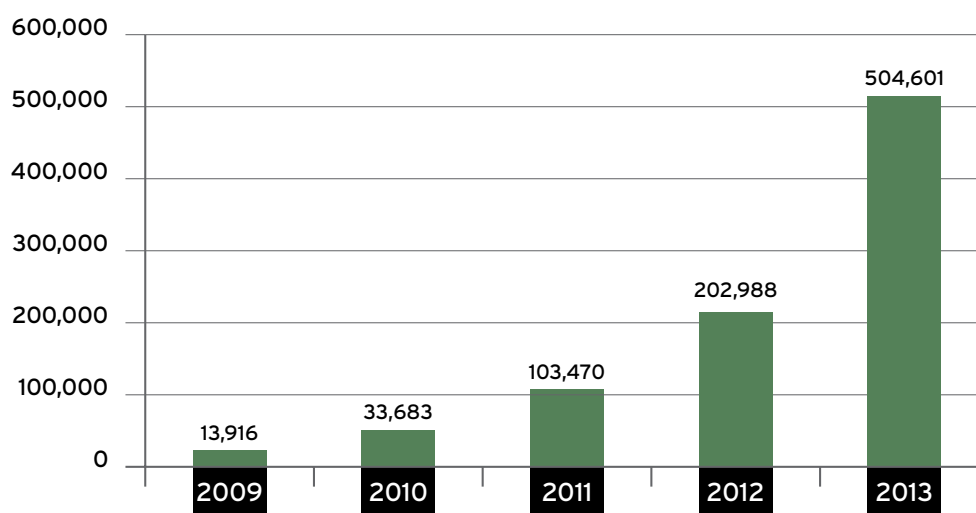
Description	In thousand Saudi Riyals				
	2013	2012	2011	2010	2009
Net (Loss) / income for the year	(99,654)	28,952	(34,306)	56	4,829
Zakat and income tax	(17,550)	(19,968)	(20,117)	(21,274)	(24,722)
Total comprehensive (Loss) income for the year	(117,204)	8,984	(54,423)	(21,218)	(19,893)

n. Technical reserves

Technical reserves increased by 149 % to SR 504,601 thousand in 2013 from SR 202,988 thousand in 2012.

The following diagram depicts the technical reserves during the period 2009-2013 (in thousand Saudi Riyals).

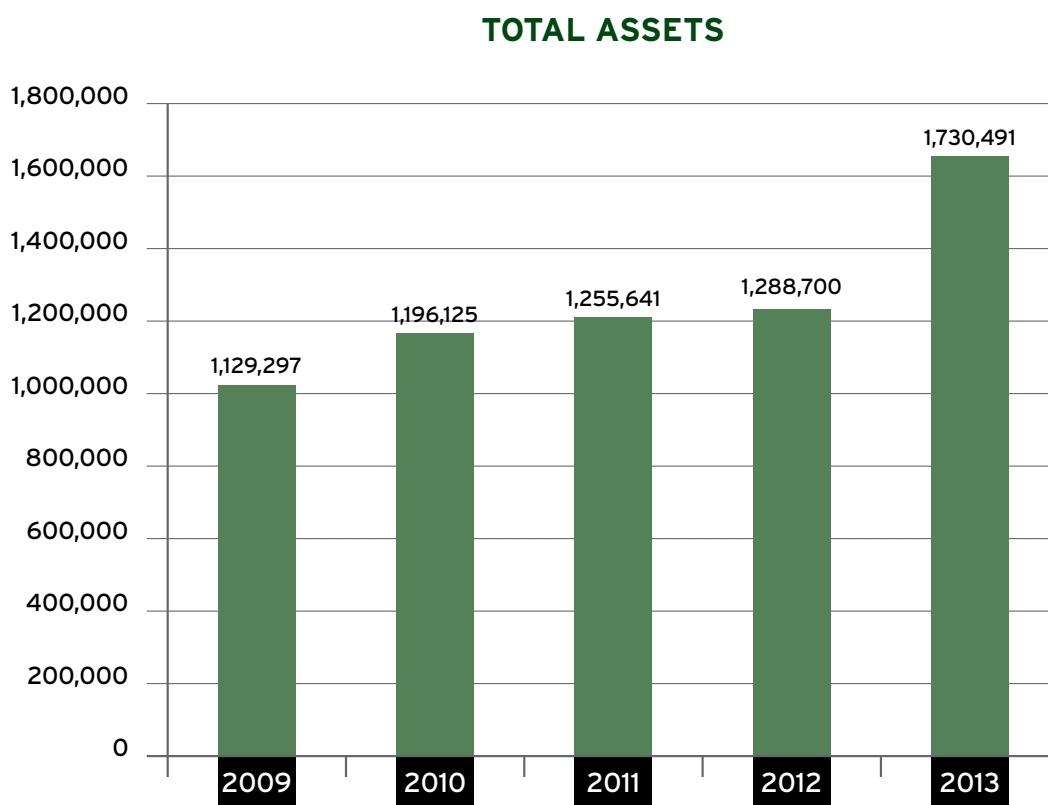
TECHNICAL RESERVES



o. Assets

Assets increased by 34% to SR 1,730,491 thousand in 2013 from SR 1,288,700 thousand in 2012. Reinsurance operation assets totaled to SR 695,077 thousand in 2013 as against SR 307,970 thousand in 2012, and total shareholders assets were SR 1,035,414 thousand in 2013 as compared with SR 980,730 thousand in 2012.

The following diagram depicts assets during the period 2009-2013(in thousand Saudi Riyals).



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 stock holder's 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 Resolution on the following steps:

1. Zakat and Income tax will be set aside.
2. 20% of the net profits are set aside to for statutory reserve. The General Assembly may stop allocation to the Statuary Reserve once the reserve is equal to the 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. 5% of the remaining profits 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 2013 with the laws and regulations applicable in Saudi Arabia. These include:

- Laws and regulations issued by CMA.
- Laws and 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 2013, 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 awaits the regulatory approvals.

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

Category	Term	Name	Other Joint Stock Companies of which the Directors are Board Members
Non-Executive Director	From 01/05/2011	Mr. Hesham Alsheikh Chairman of the Board of Directors	
	From 01/05/2011	Dr. Salman Alsudairy	
Independent Directors	From 01/05/2011	Mr. Mishari Almishari	Saudi Investment Bank (SAIB)
	From 01/05/2011	Mr. Ahmad Sabbagh	Islamic Insurance Company (Jordan)
	From 01/05/2011	Mr. Jean-Luc Gourgeon	
	From 01/05/2012	Mr. Mansour Albusaily	
	From 29/01/2013	Mr. Hammam Badr Hammam	Isakan Insurance Company (Egypt)
Executive Members	From 25/12/2012	Mr. Ismail Mahbob	
	From 01/05/2011	Mr. Fahad Alhesni	

d. Attendance record of board meetings during 2013

Member	1st Meeting 16/02/2013	2nd Meeting 13/04/2013	3rd Meeting 13/07/2013	4th Meeting 27/10/2013	5th meeting 22/12/2013	Total
Mr. Hesham Alsheikh	attended	attended	attended	attended	attended	5
Dr. Salman Alsudairy	attended	attended	attended	did not attend	attended	4
Mr. Mishari Almishari	attended	attended	attended	attended	attended	5
Mr. Fahad Alhesni	attended	attended	attended	attended	attended	5
Mr. Ahmad Sabbagh	attended	attended	attended	attended	attended	5
Mr. Jean-Luc Gourgeon	attended	attended	attended	attended	attended	5
Mr. Hammam Badr	attended	attended	attended	attended	attended	5
Mr. Mansour Albusaily	attended	attended	attended	attended	attended	5
Mr. Ismail Mahbob	attended	attended	attended	did not attend	attended	4

e. Board committees

All board committee charters were re-written and approved by the Board of Directors in 2013.

e-1 Executive Committee

Committee Responsibilities	Chairman and Members	No. of meetings during the year
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.	Chairman: Mr.Hesham Alsheikh Members: Dr. Salman Alsudairy Mr. Fahad Alhesni Mr.Jean-Luc Gourgeon	5

e-2 Audit Committee

Committee Responsibilities	Chairman and Members	No. of meetings during the year
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.	Chairman: Mr. Ahmad Sabbagh Members: Mr. Naim Fakhri Aljayyousi Mr. Ali Alqahtani	5

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.	Chairman: Mr. Mishari Almishari (from 16/02/2013) (Dr. Salman Alsudairy was the Chairman until 16/02/2013) Members: Mr. Mansour Albusaily Mr. Hammam Badr (from 16/02/2013)	6

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.	Chairman: Mr. Hesham Alsheikh Members: Dr. Salman Alsudairy Mr. Fahad Alhesni Mr. Mishari Almishari(from 16/02/2013)	3

e-5 Risk and Underwriting Committee

Committee Responsibilities	Chairman and Members	No. of meetings during the year
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.	Chairman: Mr. Jean -Luc Gougeon Members: Mr. Fahad Alhesni Mr. Mishari Almishari (until 16/02/2013) Mr. Hammam Badr(from 16/02/2013) Mr. Ismail Mahbob(from 16/02/2013)	5

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. Hesham Alsheikh and his family (Chairman).	From 01/05/2011	10,000	0.010%	0	0	10,000	0.010%
Mr. Mishari Almishari and his family (board member).	From 01/05/2011	5,000	0.005%	0	0	5,000	0.005%
Mr. Fahad Alhesni and his family (executive board member).	From 01/05/2011	1,500	0.0015%	0	0	1,500	0.0015%
Mr. Ahmad Sabbagh and his family (board member).	From 01/05/2011	400,000	0.40%	0	0	400,000	0.40%
Dr. Salman Al Sudairy and his family (board member).	From 01/05/2011	5,000	0.005%	0	0	5,000	0.005%
Mr. Hammam Badr and his family (board member).	From 29/01/2013	0	0	0	0	0	0
Mr. Jean-Luc Gourgeon and his family (board member).	From 01/05/2011	0	0	0	0	0	0
Mr. Mansour Albusaily and his family (board member).	From 01/05/2012	1,000,000	1%	7,383	0.01%	992,617	0.99%
Mr. Ismail Mahbob and his family (board member).	From 25/12/2012	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	2,546	-	5,676
Annual compensation	1,500	-	2,174
Meeting Fees & Expenses	34	214	-
Consultancy fees	-	327	-
Benefits in kind granted monthly or yearly	-	-	-
Total	4,080	541	7,850

k. Material contracts in which board members have interests

The Company paid SR 326,828.83 to Mr. Jean-Luc Gourgeon as per the agreement entered with him for consultancy services starting from 30/04/2013.

l. Internal control systems in the Company

The internal control system intends to ensure that control and monitoring tools are in place to ensure, at reasonable level, the 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

Description	In thousand Saudi Riyals
	2013
Zakat and Income Tax	14,452
With-holding Tax	4,914
Tadawul fees	490
General Organization for Social Insurance (GOSI)	774
SAMA's control and inspection costs	1,985
Visas and passports related costs	25
Others	52
Total	22,692

n. External auditors

The ordinary general assembly convened on 11/05/2013 approved the board's recommendation to appoint M/s Ernst & Young and M/s Al-Bassam, Certified Public Accountants and Consultants to act jointly as external auditors of the company for the year ending 31/12/2013.

o. Accounting standards adopted in financial statements

The company applies the international accounting standards (IFRS) rather 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

The company declares:

- It has no loans payable on call or otherwise, and the Company has not repaid any loans during the year ended 31/12/2013.
- It has no debt instruments transferable to shares, options; rights issue notes, or other rights issued by the Company during the financial year ended 31/12/2013.
- 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 2013.
- The Company has not redeemed, acquired or revoked from its part any recoverable debts instruments and value of the remaining securities.
- During 2013, 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.
- There is no penalty or sanction or restriction imposed on Saudi-Re, from anybody or of any entity or regulatory or, other jurisdictions.

The company 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
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

INDEPENDENT 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 (A Saudi Joint Stock Company) (the "Company") as at 31 December 2013 and the related statements of reinsurance operations and accumulated surplus, shareholders' operations and shareholders' comprehensive operations for the year ended and the interim statements of changes in shareholders' equity, reinsurance operations' cash flows and shareholders' cash flows for the year then ended and the related notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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:

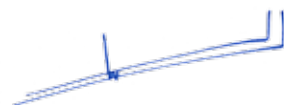
- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

Emphasis of a matter:

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

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

Al Bassam CPAs & Consultants
P. O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia



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



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



STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 SR	2012 SR
REINSURANCE OPERATIONS' ASSETS			
Cash and bank balances	7	5,268,638	582,850
Premium receivables, net	8	70,492,623	27,607,624
Investments held at fair value through income statement	9	95,329,159	83,244,130
Accrued insurance premiums		164,869,180	91,900,865
Retroceded share of outstanding claims	10	104,888,575	42,123,104
Prepaid expenses and other assets	11	1,069,002	967,944
Due from shareholders' operations		173,315,949	6,385,126
Retroceded share of unearned premiums	12	2,344,151	5,755,601
Deferred acquisition costs	13	54,445,929	32,506,462
Deferred excess of loss premiums		15,716,948	11,592,791
Property and equipment, net	14	7,337,119	5,303,065
TOTAL REINSURANCE OPERATIONS' ASSETS		695,077,273	307,969,562
SHAREHOLDERS' ASSETS			
Cash and bank balances	7	85,673,516	615,353
Time deposits	15	37,500,000	187,500,000
Accrued special commission income from time deposits		1,040,241	477,740
Accrued special commission income from bonds and sukuk		3,295,158	3,279,972
Investments held at fair value through income statement	9	595,179,554	445,743,014
Held to maturity investments	16	173,995,409	209,047,506
Prepaid expenses and other assets	11	5,738,119	4,282,585
Statutory deposit	27	100,000,000	100,000,000
Property and equipment	14	32,991,742	29,784,000
TOTAL SHAREHOLDERS' ASSETS		1,035,413,739	980,730,170
TOTAL ASSETS		1,730,491,012	1,288,699,732

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

STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2013

	Notes	2013 SR	2012 SR
REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Accounts payable		8,143,048	4,768,189
Retrocession balances payable		7,615,523	3,265,617
Accrued retroceded premiums		4,463,127	4,243,430
Gross unearned premiums	6,12	215,025,067	122,378,709
Gross outstanding claims	6,10	424,276,504	159,413,407
Premium deficiency reserve	6	26,167,000	-
Unearned commission income	17	810,894	1,580,555
Accrued expenses and other liabilities	18	5,923,389	10,025,363
Employees' end of service benefits		1,720,644	1,362,215
TOTAL REINSURANCE OPERATIONS' LIABILITIES		694,145,196	307,037,485
REINSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		932,077	932,077
TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS		695,077,273	307,969,562
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accounts payable		500,000	1,000,000
Provision for zakat and income tax	20	33,184,598	30,086,812
Due to reinsurance operations		173,315,949	6,385,126
Accrued expenses and other liabilities	18	6,641,169	4,282,585
TOTAL SHAREHOLDERS' LIABILITIES		213,641,716	41,754,523
SHAREHOLDERS' EQUITY			
Share capital	21	1,000,000,000	1,000,000,000
Statutory reserve	22	6,070,924	6,070,924
Accumulated deficit		(184,298,901)	(67,095,277)
TOTAL SHAREHOLDERS' EQUITY		821,772,023	938,975,647
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		1,035,413,739	980,730,170
TOTAL REINSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,730,491,012	1,288,699,732

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

STATEMENT OF REINSURANCE OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2013

	Notes	2013 SR	2012 SR
Gross written premiums	12	420,086,336	245,031,947
Retroceded premiums	12	(6,449,199)	(3,318,790)
Excess of loss expenses		(27,816,762)	(22,427,478)
Net written premiums		385,820,375	219,285,679
Change in net unearned premiums	6,12	(96,057,808)	(60,108,371)
Net earned premiums		289,762,567	159,177,308
Net claims paid	29,10	(98,159,195)	(34,819,246)
Change in net outstanding claims	6,10	(202,097,626)	(57,419,180)
Net claims incurred		(300,256,821)	(92,238,426)
Premium deficiency reserve	6	(26,167,000)	-
Acquisition costs	13	(83,330,181)	(49,786,324)
Commissions on retroceded business	17	3,437,425	6,122,890
Supervision and inspection fees		(2,100,432)	(1,225,160)
Net underwriting results		(118,654,442)	22,050,288
Realized gains on investments held at fair value through income statement	9	38,659	47,688
Unrealized gains on investments held at fair value through income statement	9	657,960	636,578
Other income		102,639	4,160,088
Investment management expenses		(191,040)	(37,497)
General and administrative expenses	23	(21,558,264)	(17,536,370)
Net (deficit) surplus from reinsurance operations	28	(139,604,488)	9,320,775
Shareholders' appropriation from reinsurance operations' deficit (surplus)		139,604,488	(8,388,698)
Reinsurance operations' surplus after shareholders' appropriation		-	932,077
Accumulated surplus at the beginning of the year		932,077	-
Accumulated surplus at the end of the year		932,077	932,077

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

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2013

	Notes	2013 SR	2012 SR
Special commission income from time deposits		1,912,501	2,733,346
Special commission income from bonds and sukuk		9,492,217	9,730,937
Dividend income		-	583,333
Realized gains on investments held at fair value through income statement	9	1,676,523	2,345,978
Unrealized gains on investments held at fair value through income statement	9	41,700,233	17,264,137
Foreign exchange translation gains		1,124,223	102,886
Other income		-	2,250,000
Total revenues		55,905,697	35,010,617
General and administrative expenses	23	(13,308,766)	(11,278,989)
Investment management expenses		(2,311,140)	(1,841,418)
Board of directors' remunerations, meeting fees and expenses	24	(335,465)	(1,327,135)
Shareholders' appropriation from reinsurance operations' (deficit) surplus		(139,604,488)	8,388,698
Net (loss) income for the year		(99,654,162)	28,951,773
Basic and diluted (loss) earnings per share for the year	26	(0.997)	0.290
Weighted average number of issued and outstanding shares		100,000,000	100,000,000

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

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS

For the year ended 31 December 2013

	Notes	2013 SR	2012 SR
Net (loss) income for the year		(99,654,162)	28,951,773
Other comprehensive income:			
Items not to be reclassified subsequently to the income statement:			
Zakat and income tax	20	(17,549,462)	(19,967,599)
Total comprehensive (loss) income for the year		(117,203,624)	8,984,174

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2013

	Notes	GCC Shareholders and General Public			Non - GCC Shareholders			Total			
		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	SR	SR	SR
Balance as at 1 January 2012	21	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
Net income for the year		-	-	27,243,618	-	-	1,708,155	-	-	28,951,773	28,951,773
Other comprehensive income											
Zakat and income tax	20	-	-	(19,713,367)	-	-	(254,232)	-	-	(19,967,599)	(19,967,599)
Total comprehensive income for the year				7,530,251			1,453,923			8,984,174	8,984,174
Balance as at 31 December 2012		941,000,000	5,712,740	(67,600,389)	59,000,000	358,184	505,112	1,000,000,000	6,070,924	(67,095,277)	938,975,647
Balance as at 1 January 2013	21	941,000,000	5,712,740	(67,600,389)	59,000,000	358,184	505,112	1,000,000,000	6,070,924	(67,095,277)	938,975,647
Transfer during the year		35,578,000	215,991	304,591	(35,578,000)	(215,991)	(304,591)	-	-	-	-
Net loss for the year		-	-	(97,322,255)	-	-	(2,331,907)	-	-	(99,654,162)	(99,654,162)
Other comprehensive Income											
Zakat and income tax	20	-	-	(17,549,462)	-	-	-	-	-	(17,549,462)	(17,549,462)
Total comprehensive income for the year				(114,871,717)			(2,331,907)			(117,203,624)	(117,203,624)
Balance as at 31 December 2013		976,578,000	5,928,731	(182,167,515)	23,422,000	142,193	(2,131,386)	1,000,000,000	6,070,924	(184,298,901)	821,772,023

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

STATEMENT OF REINSURANCE OPERATIONS' CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 SR	2012 SR
OPERATING ACTIVITIES			
Reinsurance operations' surplus after shareholders' appropriation		-	932,077
Adjustments for:			
Employees' end of service benefits		606,023	634,587
Depreciation		1,220,037	650,650
Realized gains on investments held at fair value through income statement	9	(38,659)	(47,688)
Unrealized gains on investments held at fair value through income statement	9	(657,960)	(636,578)
Gains from disposal of property and equipment		-	(16,520)
Shareholders' appropriation from reinsurance operations' (deficit) surplus		(139,604,488)	8,388,698
Operating (loss) profit before changes in operating assets and liabilities		(138,475,047)	9,905,226
Changes in operating assets and liabilities:			
Premiums receivable, net	8	(42,884,999)	(8,480,772)
Accrued insurance premiums		(72,968,315)	(38,752,847)
Retroceded share of outstanding claims	10	(62,765,471)	44,511,338
Prepaid expenses and other assets	11	(101,058)	(729,784)
Retroceded share of unearned premiums	12	3,411,450	19,080,757
Deferred acquisition costs	13	(21,939,467)	(12,664,391)
Deferred excess of loss premiums		(4,124,157)	(1,276,396)
Accounts payable		3,374,859	2,282,108
Retrocession balances payable		4,349,906	(18,970,584)
Accrued retroceded premiums	31	219,697	(9,953,343)
Gross unearned premiums	12	92,646,358	41,027,614
Gross outstanding claims	10	264,863,097	12,907,842
Premium deficiency reserves		26,167,000	-
Unearned commission income	17	(769,661)	(5,345,936)
Accrued expenses and other liabilities		(4,101,974)	1,234,447
Employees' end of service benefits paid		(247,594)	(210,990)
Net cash from operating activities		46,654,624	34,564,289

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

STATEMENT OF REINSURANCE OPERATIONS' CASH FLOWS (Continued)

For the year ended 31 December 2013

	Notes	2013 SR	2012 SR
INVESTING ACTIVITIES			
Purchase of property and equipment		(3,254,091)	(3,709,201)
Proceeds from disposal of property and equipment		-	105,000
Additions in investments held at fair value through income statement	9	(60,268,130)	(71,516,844)
Proceeds from investments held at fair value through income statement	9	48,879,720	33,601,941
Net cash used in investing activities		(14,642,501)	(41,519,104)
FINANCING ACTIVITY			
Due from shareholders' operations		(27,326,335)	(756,008)
Net cash used in financing activity		(27,326,335)	(756,008)
INCREASE (DECREASE) IN CASH AND BANK BALANCES		4,685,788	(7,710,823)
Cash and bank balances at the beginning of the year		582,850	8,293,673
CASH AND BANK BALANCES AT THE END OF THE YEAR	7	5,268,638	582,850

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

STATEMENT OF SHAREHOLDERS' CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 SR	2012 SR
OPERATING ACTIVITIES			
Net (loss) income for the period		(99,654,162)	28,951,773
Adjustments for:			
Realized gains on investments held at fair value through income statement		(1,676,523)	(2,345,978)
Unrealized gains on investments held at fair value through income statement		(41,700,233)	(17,264,137)
Dividend income		-	(583,333)
Shareholders' appropriation from reinsurance operations deficit (surplus)		139,604,488	(8,388,698)
Operating (deficit) income before changes in operating assets and liabilities		(3,426,430)	369,627
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		(1,455,534)	(1,245,958)
Accounts payable		(500,000)	1,000,000
Accrued expense and other liabilities		2,358,584	1,245,958
Zakat and income tax paid		(14,451,676)	(15,044,131)
Net cash used in operating activities		(17,475,056)	(13,674,504)
INVESTING ACTIVITIES			
Purchase of property and equipment		(3,207,742)	(29,784,000)
Proceeds from investments held at fair value through income statement		136,069,250	470,328,552
Accrued special commission income from time deposits		(562,501)	1,422,606
Accrued special commission income from bonds and sukuk		(15,186)	(292,971)
Dividends received		-	583,333
Additions in investments held at fair value through income statement		(242,129,034)	(640,460,749)
Time deposits, net		150,000,000	70,938,845
Held to maturity investments		35,052,097	744,293
Net cash from (used in) investing activities		75,206,884	(126,520,091)
FINANCING ACTIVITY			
Due to reinsurance operations		27,326,335	756,008
Net cash from financing activity		27,326,335	756,008
INCREASE (DECREASE) IN CASH AND BANK BALANCES		85,058,163	(139,438,587)
Cash and bank balances at the beginning of the year		615,353	140,053,940
CASH AND BANK BALANCES AT THE END OF THE YEAR	7	85,673,516	615,353

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2013

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 and risk management policies used in the preparation of these year financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2012 except for the adoption of the following new standards and other amendments to existing standards mentioned below:

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

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

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

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

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Company is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)

IFRS 13 Fair Value Measurement

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

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 9.

New amendments and standards issued but not yet effective:

The Company has chosen not to early adopt the following new standard and amendments to the International Financial Reporting Standards

IFRS 9 Financial Instruments: Classification and Measurement

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

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

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

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.

Retrocession

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 and accumulated surplus.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retrocession (Continued)

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

Retroceded 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 at banks and 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 and accumulated surplus.

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 and accumulated surplus. DAC is also considered in the liability adequacy test for each reporting period.

Property and equipment

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

Building	33 Years
Computers and equipment	3-5 Years
Furniture and fixtures	5 Years
Motor vehicles	4 Years
Leasehold improvements	10 Years

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

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Impairment and un-collectability 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 and accumulated surplus or the statement of shareholders' operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment and un-collectability of financial assets (Continued)

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 and accumulated surplus 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 written premiums 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 in the balance sheet.

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
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 and accumulated surplus 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and accumulated surplus 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 and accumulated surplus. 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

Special commission income 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 accumulated surplus 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 taking 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.

Operating leases

Operating lease payments are recognized as expenses in the statements of reinsurance operations and accumulated surplus and shareholders' operations on a straight-line basis over the lease contract.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and accumulated surplus 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 transferred to the shareholders. Accordingly income tax is charged to Non-GCC shareholders' equity account while the zakat is charged to the GCC 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 accumulated surplus and shareholders' 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

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 and accumulated surplus over the related period of the contracts.

Fair values of financial instruments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

Fair values of financial instruments (continued)

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

The Investment committee, in conjunction with the Company's external valuers, compares the changes in the fair value of each investment asset with relevant external sources to determine whether the change is reasonable.

The Risk and underwriting committee, in conjunction with the Company's external Actuaries, compares the changes in the technical reserves, to determine whether the change is reasonable.

The audit committee, in conjunction with the company's management, compares the changes in fair value of each other asset and liabilities, to determine whether the change is reasonable.

6. TECHNICAL RESERVES

Based on recommendation from the external actuary of the Company and insurance regulator, the management of the Company has changed its basis to determine the technical reserves due to availability of new information and after considering longer historical experience. This has resulted in recording of additional reserves for unearned premiums, incurred but not reported claims and premium deficiency of SR 25 million, SR 45 million and SR 26 million respectively. Changes in estimating reserves for unearned premium and incurred but not reported claims have been considered as change in accounting estimate. Due to very nature of the insurance and reinsurance industry, it is not practicable for the company to determine the effect of this change in accounting estimate for the future.

7. CASH AND BANK BALANCE

	2013		2012	
	Reinsurance Operations SR	Shareholders' Operations SR	Reinsurance Operations SR	Shareholders' Operations SR
Cash in hand	970	-	-	-
Cash at bank	5,267,668	85,673,516	582,850	615,353
	5,268,638	85,673,516	582,850	615,353

Cash at banks are placed with counterparties that have good credit ratings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

8. PREMIUMS RECEIVABLE, NET

	2013 SR	2012 SR
Premiums receivable	72,815,780	29,930,781
Less: Provision for doubtful debts	(2,323,157)	(2,323,157)
	70,492,623	27,607,624

As at 31 December, the ageing of gross premiums receivable is as follows:

	Past due but not impaired					Total SR
	Neither past due nor impaired SR	Less than 90 days SR	91 to 180 days SR	Above 180 days SR	Past due and impaired SR	
2013	53,298,332	4,181,029	9,313,122	3,700,133	2,323,164	72,815,780
2012	3,089,422	3,847,284	8,113,194	12,361,757	2,519,124	29,930,781

9. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT

i. Investments held at fair value through income statement consist of the following:

	2013		2012	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Funds	95,329,159	234,236,625	83,244,130	74,035,494
Equity Portfolios	-	164,109,001	-	135,863,916
Bond Portfolios	-	156,796,858	-	210,843,604
Sukuk	-	40,037,070	-	25,000,000
	95,329,159	595,179,554	83,244,130	445,743,014

ii. As at 31 December 2013 and 2012, all financial instruments under reinsurance operations which are fair valued are quoted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

9. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (continued)

iii. The analysis of the composition of investments for shareholders' operations is as follows:

	2013		
	Quoted SR	Unquoted SR	Total SR
Funds	209,236,625	25,000,000	234,236,625
Equity Portfolios	164,109,001	-	164,109,001
Bond Portfolios	156,796,858	-	156,796,858
Sukuk	-	40,037,070	40,037,070
	530,142,484	65,037,070	595,179,554

	2012		
	Quoted SR	Unquoted SR	Total SR
Funds	49,035,494	25,000,000	74,035,494
Equity Portfolios	135,863,916	-	135,863,916
Bond Portfolios	210,843,604	-	210,843,604
Sukuk	-	25,000,000	25,000,000
	395,743,014	50,000,000	445,743,014

As at 31 December 2013 and 31 December 2012, all financial instruments under reinsurance operations which are measured at fair value are Level 1 instruments. The following table shows an analysis of financial instruments under shareholders' operations measured at fair value by level of the fair value hierarchy:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

9. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (Continued)

	2013			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Funds	209,236,625	-	25,000,000	234,236,625
Equity Portfolios	164,109,001	-	-	164,109,001
Bond Portfolios	156,796,858	-	-	156,796,858
Sukuk	-	-	40,037,070	40,037,070
	530,142,484	-	65,037,070	595,179,554

	2012			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Funds	49,035,494	-	25,000,000	74,035,494
Equity Portfolios	135,863,916	-	-	135,863,916
Bond Portfolios	210,843,604	-	-	210,843,604
Sukuk	-	-	25,000,000	25,000,000
	395,743,014	-	50,000,000	445,743,014

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

iv. The movement of investments held at fair value through income statement is as follows:

	2013 SR		2012 SR	
	Reinsurance operations	Shareholders' operations	Reinsurance operations	Shareholders' operations
Opening balance	83,244,130	445,743,014	44,644,961	256,000,702
Additions	60,268,130	242,129,034	71,516,844	640,460,749
Disposals	(48,879,720)	(136,069,250)	(33,601,941)	(470,328,552)
Unrealized gains	657,960	41,700,233	636,578	17,264,137
Realized gains	38,659	1,676,523	47,688	2,345,978
Closing balance	95,329,159	595,179,554	83,244,130	445,743,014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

9. INVESTMENTS HELD AT FAIR VALUE THROUGH INCOME STATEMENT (Continued)

Investments under reinsurance and shareholders' operations include SR 12.3 million and SR 4.2 million respectively as at 31 December 2013 (31 December 2012: SR Nil and SR 4.8 million respectively) cash deposits with reputable banks. These funds are placed by the Company with the assets managers and are independently operated by them. These funds are expected to be invested in the subsequent periods.

10. OUTSTANDING CLAIMS

	2013		
	Gross SR	Retroceded share SR	Net SR
Opening balance	159,413,407	(42,123,104)	117,290,303
Outstanding claims provided during the year	176,411,587	(63,856,633)	112,554,954
Claims incurred but not reported provided during the year	88,451,510	1,091,162	89,542,672
Change in outstanding claims	264,863,097	(62,765,471)	202,097,626
Closing balance	424,276,504	(104,888,575)	319,387,929

	2012		
	Gross SR	Retroceded share SR	Net SR
Opening balance	146,505,565	(86,634,442)	59,871,123
Outstanding claims provided during the year	6,526,088	35,041,239	41,567,327
Claims incurred but not reported provided during the year	6,381,754	9,470,099	15,851,853
Change in outstanding claims	12,907,842	44,511,338	57,419,180
Closing balance	159,413,407	(42,123,104)	117,290,303

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

11. PREPAYMENTS AND OTHER ASSETS

	2013		2012	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Advances to employees	393,390	-	297,233	-
Prepaid insurance	153,534	-	112,647	-
Prepaid rent	112,501	-	112,501	-
Advance payments	283,333	-	73,800	-
Interest received on statutory deposit	-	5,622,925	-	4,282,585
Others	126,244	115,194	371,763	-
	1,069,002	5,738,119	967,944	4,282,585

12. UNEARNED PREMIUMS

	2013		
	Gross SR	Retroceded share SR	Net SR
Opening balance	122,378,709	(5,755,601)	116,623,108
Premiums written during the year	420,086,336	(6,449,199)	413,637,137
Premiums earned	(327,439,978)	9,860,649	(317,579,329)
Change in unearned premiums	92,646,358	3,411,450	96,057,808
Closing balance	215,025,067	(2,344,151)	212,680,916

	2012		
	Gross SR	Retroceded share SR	Net SR
Opening balance	81,351,095	(24,836,358)	56,514,737
Premiums written during the year	245,031,947	(3,318,790)	241,713,157
Premiums earned	(204,004,333)	22,399,547	(181,604,786)
Change in unearned premiums	41,027,614	19,080,757	60,108,371
Closing balance	122,378,709	(5,755,601)	116,623,108

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

13. DEFERRED ACQUISITION COSTS

	2013 SR	2012 SR
Opening balance	32,506,462	19,842,071
Incurred during the year	105,269,648	62,450,715
Amortized during the year	(83,330,181)	(49,786,324)
Closing balance	54,445,929	32,506,462

14. PROPERTY AND EQUIPMENT, NET

a) Reinsurance operations:

	Computers and Equipment SR	Furniture and Fixtures SR	Motor Vehicles SR	Leasehold Improve- ments SR	Work in Progress SR	Total SR
Cost:						
As at 31 December 2011	2,373,408	109,756	651,400	2,192,523	251,471	5,578,558
Additions during the year	632,765	3,500	-	-	3,072,936	3,709,201
Disposals during the year	-	-	(137,000)	-	-	(137,000)
As at 31 December 2012	3,006,173	113,256	514,400	2,192,523	3,324,407	9,150,759
Additions during the year	3,240,549	13,542	-	-	-	3,254,091
Transfers during the year	3,324,407	-	-	-	(3,324,407)	-
Disposals during the year	-	-	-	-	-	-
As at 31 December 2013	9,571,129	126,798	514,400	2,192,523	-	12,404,850
Accumulated depreciation:						
As at 31 December 2011	2,019,863	81,979	259,039	884,683	-	3,245,564
Charged for the year	296,053	21,812	113,536	219,249	-	650,650
Disposals during the year	-	-	(48,520)	-	-	(48,520)
As at 31 December 2012	2,315,916	103,791	324,055	1,103,932	-	3,847,694
Charged for the year	904,241	8,698	87,850	219,248	-	1,220,037
Disposals during the year	-	-	-	-	-	-
As at 31 December 2013	3,220,157	112,489	411,905	1,323,180	-	5,067,731
Net book value						
As at 31 December 2012	690,257	9,465	190,345	1,088,591	3,324,407	5,303,065
As at 31 December 2013	6,350,972	14,309	102,495	869,343	-	7,337,119

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

14. PROPERTY AND EQUIPMENT, NET (continued)

b) Shareholders' operations:

	Land SR	Building SR	Furniture and fixtures SR	Work in Progress SR	Total SR
Cost:					
As at 31 December 2012	18,329,960	-	-	11,454,040	29,784,000
Additions during the year	-	-	3,207,742	-	3,207,742
Transfers during the year		11,454,040		(11,454,040)	-
As at 31 December 2013	18,329,960	11,454,040	3,207,742	-	32,991,742
Accumulated depreciation:					
As at 31 December 2012	-	-	-	-	-
Charged for the year	-	-	-	-	-
As at 31 December 2013	-	-	-	-	-
Net book value					
As at 31 December 2012	18,329,960	-	-	11,454,040	29,784,000
As at 31 December 2013	18,329,960	11,454,040	3,207,742	-	32,991,742

The Company acquired the land and started the construction of a new head office building during 2012. This building was completed in December 2013.

15. TIME DEPOSITS

Time deposits represent deposits with banks with maturity period of more than three months from the date of original placement. Such deposits earn special commission at an average rate of 2.5% per annum as at 31 December 2013 (31 December 2012: 2.3% per annum).

Time deposits are placed with counterparties that have a good credit rating.

16. HELD TO MATURITY INVESTMENTS

The held to maturity investments represent debt instruments with a 4 to 10 year time horizon yielding an average special commission of 4.35% per annum (2012: 4.37% per annum). The fair value of held to maturity investments amounted to SR 183,878,544 (2012: SR 226,009,171) as at the statement of financial position date and is classified under level 2 of fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

17. UNEARNED COMMISSION INCOME

	2013 SR	2012 SR
Opening balance	1,580,555	6,926,491
Commission received on retroceded business during the year	2,667,764	776,954
Commission earned on retroceded business during the year	(3,437,425)	(6,122,890)
Closing balance	810,894	1,580,555

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013		2012	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Employees bonus	3,827,484	-	3,123,568	-
Withholding tax payable	503,401	-	3,402,809	-
Board of directors' remunerations	-	-	1,277,130	-
Professional fees payable	283,501	770,116	927,489	-
Meeting fees and expenses	-	248,128	188,500	-
Interest received on statutory deposit		5,622,925	-	4,282,585
Others	1,309,003	-	1,105,867	-
	5,923,389	6,641,169	10,025,363	4,282,585

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

19. CLAIMS DEVELOPMENT TABLE

The following table shows the estimates of cumulative incurred claims, including both claims notified and incurred but not reported for each successive underwriting year at each reporting date, together with cumulative payments to date. The development of reinsurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims. The Company aims to maintain adequate reserves in respect of its reinsurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier underwriting years. In order to maintain adequate reserves, the Company will transfer much of this release to the current underwriting year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims.

Gross reinsurance contract outstanding claims provision for 2013:

Underwriting year	2008 SR	2009 SR	2010 SR	2011 SR	2012 SR	2013 SR	Total SR
At end of underwriting year	-	15,258,285	42,967,114	61,283,330	73,362,761	152,283,479	-
One year later	610,902	28,009,369	105,750,091	87,300,880	242,416,589	-	-
Two years later	1,677,268	32,800,264	105,347,096	128,811,660	-	-	-
Three years later	1,229,116	35,269,761	110,275,599	-	-	-	-
Four years later	2,186,602	40,742,018	-	-	-	-	-
Five years later	2,128,570	-	-	-	-	-	-
Current estimate of cumulative claims incurred	2,128,570	40,742,018	110,275,599	128,811,660	242,416,589	152,283,479	676,657,915
Cumulative payments to date	(1,416,530)	(28,256,759)	(90,814,968)	(63,640,155)	(73,003,025)	4,750,026	(252,381,411)
Total gross insurance outstanding claims provision per the statement of financial position	712,040	12,485,259	19,460,631	65,171,505	169,413,564	157,033,505	424,276,504

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

20. ZAKAT AND INCOME TAX

a) Zakat

Zakat charge for the year of SR 17,549,462 (2012: SR 19,713,367) is based on the following:

	2013 SR	2012 SR
Share Capital	1,000,000,000	1,000,000,000
Statutory reserve - beginning of the year	6,070,924	6,070,924
Accumulated deficit - beginning of the year	(67,095,277)	(76,079,451)
Adjusted net (loss) income for the year	(98,904,407)	30,832,614
Provisions	19,072,913	12,238,189
	859,144,153	973,062,276
Deduct:		
Property and equipment, net	(40,328,861)	(35,087,065)
Held to maturity investments	(173,995,409)	(209,047,506)
Statutory deposit	(100,000,000)	(100,000,000)
Zakat base	544,819,883	628,927,705

b) Income tax

	2013 SR	2012 SR
Net (loss)/income for the year	(99,654,162)	28,951,773
Portion of net taxable (loss)/income for non-Saudi shareholders @ 2.34% (2012: 5.9%)	(2,334,100)	1,694,880
Portion of accumulated losses for non-Saudi shareholders (25%)	-	423,720
Income tax base	(2,334,100)	1,271,160

c) The movement of the provision for zakat and income tax is as follows:

	2013 SR	2012 SR
Opening balance	30,086,812	25,163,344
Income tax provision for the year	-	254,232
Zakat provision for the year	17,549,462	19,713,367
Paid during the year	(14,451,676)	(15,044,131)
Closing balance	33,184,598	30,086,812

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

20. ZAKAT AND INCOME TAX (continued)

d) Status of assessment

The Company has filed its zakat return for the years ended 31 December 2009 to 2012 with the Department of Zakat and Income Tax (DZIT) and has not yet received related final assessments.

Zakat and Income tax provision is calculated based on the Company's best understanding of the DZIT instructions. Additional zakat and income tax provision is accounted for to cover for any difference with the final zakat and income tax assessment when received from DZIT.

21. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 1 billion divided into 100 million shares of SR 10 each.

22. STATUTORY RESERVE

In accordance with the Company's by-laws, 20% of its net income of the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 100% of the capital. This reserve is not available for distribution to shareholders.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2013		2012	
	Reinsurance operations SR	Shareholders' operations SR	Reinsurance operations SR	Shareholders' operations SR
Salaries and related benefits	16,588,272	7,090,059	13,450,862	6,255,643
Travelling expenses	1,292,244	460,692	1,158,373	288,527
Depreciation (Note 14)	580,956	639,081	227,728	422,922
Rent and premises expenses	586,114	570,949	346,460	643,425
Advertising	404,190	909,605	138,581	464,943
Professional fees	245,064	1,033,754	153,902	1,320,874
Withholding tax	157,419	-	-	-
Consulting fees	-	2,175,626	-	630,190
Provision for doubtful debts	-	-	931,809	-
Licensing fees	-	429,000	-	402,998
Others	1,704,005	-	1,128,655	849,467
	21,558,264	13,308,766	17,536,370	11,278,989

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

24. BOARD OF DIRECTORS' REMUNERATIONS AND EXPENSES

	2013 SR	2012 SR
Board of directors' remunerations	-	1,020,000
Meeting fees and expenses	335,465	307,135
	335,465	1,327,135

25. RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the year and balances at the end of the year:

Related party	Nature of transactions	Amount of transactions for the year ended 31 December		Balance as at 31 December	
		2013 SR	2012 SR	2013 SR	2012 SR
Board of directors	Consulting fees	326,829	360,671	-	-
	Remunerations	-	1,020,000	248,129	1,277,130
	Meeting fees and expenses	335,465	307,135	-	188,500
Key management personnel	Short term benefits	7,644,521	8,297,472	2,173,000	2,000,000
	End of service benefits	205,489	250,301	446,650	299,043

Balances with related parties are included in accrued expenses and other liabilities shown in the statement of financial position.

26. BASIC AND DILUTED (LOSS)/ EARNINGS PER SHARE

Basic and diluted (loss) earnings per share for the years ended 31 December 2013 and 2012 have been calculated by dividing net (loss)/ income for the year by the average ordinary issued and outstanding shares at the end of the year.

27. STATUTORY DEPOSIT

The Company has deposited an amount of SR 100 million with a local bank representing the statutory deposit of 10% of its paid-up capital as required by the Implementing Regulations of the "Law On Supervision of Cooperative Insurance Companies" issued by the Saudi Arabian Monetary Agency. This statutory deposit cannot be withdrawn without the consent of the Saudi Arabian Monetary Agency.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

28. NET (DEFICIT) SURPLUS FROM REINSURANCE OPERATIONS

Net surplus (deficit) surplus from reinsurance operations has been charged to the statement of shareholders' operations. The total net deficit from date of incorporation of the Company to 31 December 2013 is as follows:

	SR
For the period from 1 May 2008 to 31 December 2008	(11,925,491)
For the year ended 31 December 2009	(20,545,633)
For the year ended 31 December 2010	(21,935,456)
For the year ended 31 December 2011	(37,083,139)
For the year ended 31 December 2012	8,388,698
For the year ended 31 December 2013	(139,604,488)
	(231,094,207)

29. NET CLAIMS PAID

	2013 SR	2012 SR
Gross claims paid	108,321,996	89,496,456
Retroceded share of claims paid	(10,162,801)	(54,677,210)
Net claims paid	98,159,195	34,819,246

Net claims paid include all amounts paid and amounts received through claim portfolio transfers from insurance companies. A respective provision is provided for such claim portfolio transfers in the outstanding claims.

30. SEGMENTAL INFORMATION

The Company has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segments and to assess its performance.

Consistent with the Company's internal reporting process, business and geographical segments have been approved by the Management Committee in respect of the Company's activities, assets and liabilities as stated below.

Segment results do not include realized and unrealized gains on investments held at fair value through income statement, other income, investment management expenses and all general and administrative expenses except depreciation.

Segment assets do not include cash and cash equivalents of reinsurance operations, investments held at fair value through income statement, prepaid expenses and other assets, due from shareholders' operations and property and equipment, net.

Segment liabilities do not include surplus distribution payable, accrued expenses and other liabilities and employees' end of service benefits.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

30. SEGMENTAL INFORMATION (Continued)

30.1 Business segments

The Company revises periodically its estimated gross written premiums and related retroceded premium upon receipt of actual information from cedants. In some business segments, this results in negative gross written premiums, positive retroceded premiums and negative net written premiums for the year when the revision took place.

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Others SR	Total SR
For the year ended 31 December 2013							
Reinsurance operations' results							
Gross written premiums	76,638,325	159,958,612	45,638,048	50,625,872	51,314,090	35,911,389	420,086,336
Retroceded premiums	(5,076,426)	(360,083)	(607,123)	-	(277,526)	(128,041)	(6,449,199)
Excess of loss expenses	(4,361,535)	(18,709,936)	(2,454,048)	(352,128)	(637,923)	(1,301,192)	(27,816,762)
Net written premiums	67,200,364	140,888,593	42,576,877	50,273,744	50,398,641	34,482,156	385,820,375
Change in net unearned premiums	(27,786,432)	(18,892,871)	(7,254,915)	(19,690,726)	(17,286,135)	(5,146,729)	(96,057,808)
Net earned premiums	39,413,932	121,995,722	35,321,962	30,583,018	33,112,506	29,335,427	289,762,567
Net claims paid	(5,265,761)	(45,493,728)	(8,451,655)	(6,440,756)	(10,969,156)	(21,538,139)	(98,159,195)
Change in net outstanding claims	(32,343,835)	(125,492,746)	(11,541,116)	(14,436,345)	(9,161,463)	(9,122,121)	(202,097,626)
Net claims incurred	(37,609,596)	(170,986,474)	(19,992,771)	(20,877,101)	(20,130,619)	(30,660,260)	(300,256,821)
Premium deficiency reserve	-	(22,775,640)	-	(3,391,360)	-	-	(26,167,000)
Gross acquisition costs	(18,726,487)	(37,766,576)	(11,601,366)	(7,270,845)	(1,680,801)	(6,284,106)	(83,330,181)
Commissions on retroceded business	2,831,752	399,699	227,494	-	7,919	(29,439)	3,437,425
Supervision and inspection fees	(383,191)	(799,794)	(228,190)	(253,129)	(256,571)	(179,557)	(2,100,432)
Net underwriting results	(14,473,590)	(109,933,063)	3,727,129	(1,209,417)	11,052,434	(7,817,935)	(118,654,442)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

30. SEGMENTAL INFORMATION (Continued)

30.1 Business segments (Continued)

	Engineering SR	Fire SR	Marine SR	Motor SR	Life SR	Others SR	Total SR
For the year ended 31 December 2012							
Reinsurance operations' results							
Gross written premiums	62,183,179	95,622,641	30,314,301	12,218,912	15,757,985	28,934,929	245,031,947
Retroceded premiums	(3,072,296)	(256,376)	(360,342)	-	393	369,831	(3,318,790)
Excess of loss expenses	(6,016,513)	(11,429,142)	(2,993,523)	(167,659)	-	(1,820,641)	(22,427,478)
Net written premiums	53,094,370	83,937,123	26,960,436	12,051,253	15,758,378	27,484,119	219,285,679
Change in net unearned premiums	(23,576,813)	(16,923,429)	(4,880,111)	(2,934,529)	(7,107,330)	(4,686,159)	(60,108,371)
Net earned premiums	29,517,557	67,013,694	22,080,325	9,116,724	8,651,048	22,797,960	159,177,308
Net claims paid	(2,200,197)	(23,146,699)	(3,484,274)	(4,620,068)	(1,094,944)	(273,064)	(34,819,246)
Change in net outstanding claims	(10,260,271)	(23,940,854)	(2,451,186)	(1,364,344)	(396,183)	(19,006,342)	(57,419,180)
Net claims incurred	(12,460,468)	(47,087,553)	(5,935,460)	(5,984,412)	(1,491,127)	(19,279,406)	(92,238,426)
Gross acquisition costs	(13,435,903)	(21,859,706)	(8,830,840)	(1,598,737)	(442,017)	(3,619,121)	(49,786,324)
Commissions on retroceded business	2,926,185	2,280,914	684,122	-	(12)	231,681	6,122,890
Supervision and inspection fees	(310,916)	(478,113)	(151,572)	(61,095)	(78,790)	(144,674)	(1,225,160)
Net underwriting results	6,236,455	(130,764)	7,846,575	1,472,480	6,639,102	(13,560)	22,050,288
As at 31 December 2013							
Segment assets	103,527,160	166,836,664	41,668,488	36,199,379	45,316,934	19,208,781	412,757,406
Segment liabilities	157,268,596	355,912,832	41,327,375	55,423,795	31,057,348	45,552,034	686,541,980
As at 31 December 2012							
Segment assets	65,466,362	81,898,531	24,459,570	10,348,435	15,970,291	13,343,258	211,486,447
Segment liabilities	80,078,184	133,781,066	22,589,021	15,685,919	10,364,449	33,151,268	295,649,907

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

30. SEGMENTAL INFORMATION (Continued)

30.2 Geographical segments

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Total SR
For the year ended 31 December 2013					
Reinsurance operations' results					
Gross written premiums	221,272,461	75,849,503	63,565,155	59,399,217	420,086,336
Retroceded premiums	(4,584,680)	(1,726,397)	(138,122)	-	(6,449,199)
Excess of loss expenses	(19,470,266)	(4,157,760)	(2,833,284)	(1,355,452)	(27,816,762)
Net written premiums	197,217,515	69,965,346	60,593,749	58,043,765	385,820,375
Change in net unearned premiums	(48,655,807)	(11,106,177)	(13,434,031)	(22,861,793)	(96,057,808)
Net earned premiums	148,561,708	58,859,169	47,159,718	35,181,972	289,762,567
Net claims paid	(61,407,178)	(8,498,910)	(12,818,118)	(15,434,989)	(98,159,195)
Change in net outstanding claims	(131,372,799)	(30,332,147)	(25,226,232)	(15,166,448)	(202,097,626)
Net claims incurred	(192,779,977)	(38,831,057)	(38,044,350)	(30,601,437)	(300,256,821)
Premium deficiency reserve	(17,871,292)	(1,215,233)	(3,687,497)	(3,392,978)	(26,167,000)
Gross acquisition costs	(46,539,050)	(14,274,060)	(13,439,316)	(9,077,755)	(83,330,181)
Commissions on retroceded business	2,776,167	585,490	75,768	-	3,437,425
Supervision and inspection fees	(1,106,363)	(379,247)	(317,826)	(296,996)	(2,100,432)
Net underwriting results	(106,958,807)	4,745,062	(8,253,503)	(8,187,194)	(118,654,442)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

30. SEGMENTAL INFORMATION (Continued)

30.2 Geographical segments (Continued)

	Kingdom of Saudi Arabia SR	Other Middle Eastern Countries SR	Africa SR	Asia SR	Total SR
For the year ended 31 December 2012					
Reinsurance operations' results					
Gross written premiums	146,950,528	47,726,279	15,262,564	35,092,576	245,031,947
Retroceded premiums	(2,563,234)	(713,838)	(41,718)	-	(3,318,790)
Excess of loss expenses	(14,422,007)	(4,959,255)	(306,361)	(2,739,855)	(22,427,478)
Net written premiums	129,965,287	42,053,186	14,914,485	32,352,721	219,285,679
Change in net unearned premiums	(25,352,006)	(12,760,716)	(9,116,788)	(12,878,861)	(60,108,371)
Net earned premiums	104,613,281	29,292,470	5,797,697	19,473,860	159,177,308
Net claims paid	(31,251,845)	(1,793,838)	(2,180,235)	406,672	(34,819,246)
Change in net outstanding claims	(18,394,197)	(21,116,347)	4,935,466	(22,844,102)	(57,419,180)
Net claims incurred	(49,646,042)	(22,910,185)	2,755,231	(22,437,430)	(92,238,426)
Gross acquisition costs	(34,870,850)	(9,237,487)	(1,262,430)	(4,415,557)	(49,786,324)
Commissions on retroceded business	5,062,603	997,039	63,248	-	6,122,890
Supervision and inspection fees	(734,753)	(238,631)	(76,313)	(175,463)	(1,225,160)
Net underwriting results	24,424,239	(2,096,794)	7,277,433	(7,554,590)	22,050,288
As at 31 December 2013					
Segment assets	282,957,953	59,283,701	33,769,136	36,746,616	412,757,406
Segment liabilities	475,410,789	109,832,941	39,632,655	61,665,595	686,541,980
As at 31 December 2012					
Segment assets	132,448,697	44,343,118	14,653,667	20,040,965	211,486,447
Segment liabilities	178,139,075	61,756,619	18,880,674	36,873,539	295,649,907

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. 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 of Directors. The Company is exposed to insurance, retrocession, special commission 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 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 as follows:

31.1 Reinsurance risk

The risk resulting from reinsurance business written 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 reinsurance contracts is that the actual claims and benefit payments exceed the carrying amount of reinsurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid being greater than originally estimated and subsequent development of long-term claims.

The variability of risks is improved by the diversification of the risks written and the build-up of a large portfolio of reinsurance contracts, (inward business) as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by a careful selection of inward business, by the underwriting guidelines as well as the use of retrocession protection. The Company's underwriting strategy includes, but is not limited to, the following:

- Diversification in the type of accepted risks, and within each of these categories to achieve sufficiently large population of risks to reduce the variability of the expected outcome.
- Diversification of the underwriting risks in terms of type and amount of risk, industry and geographical location.

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Such retrocession agreements provide for higher underwriting capacity, and allow Management to contain exposure with the risk appetite of the company. The retrocession is effected under proportional treaties such as quota share and surplus and non-proportional treaties such as excess of loss for risk and catastrophe to ensure its net retention is aligned with its risk tolerance.

Although the Company has retrocession agreements, it is not relieved of its direct obligations to its ceding companies and thus a credit exposure exists with respect to its retrocessionaires, to the extent that any retrocessionaire is unable to meet its obligations assumed under such retrocession agreements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.1 Reinsurance risk (Continued)

Geographical concentration of risk

The Company accepts reinsurance business from insurance companies in the Kingdom of Saudi Arabia, the Middle East, Africa and Emerging Markets. The written premiums are distributed geographically as follows:

	For the year ended 31 December 2013	
	Amount SR	Percentage
Kingdom of Saudi Arabia	221,272,461	53%
Other Middle Eastern Countries	75,849,503	18%
Africa	63,565,155	15%
Asia	59,399,218	14%
	420,086,337	100%

	For the year ended 31 December 2012	
	Amount SR	Percentage
Kingdom of Saudi Arabia	146,950,528	60%
Other Middle Eastern Countries	47,726,279	20%
Africa	15,262,564	6%
Asia	35,092,576	14%
	245,031,947	100%

Key assumptions

The key assumptions underlying the liability estimates are the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.1 Reinsurance risk (Continued)

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income as follows:

31 December 2013

	Change in assumptions	Net Impact on net liabilities SR	Impact on net income SR
Ultimate loss ratio	+10%	28,976,257	28,976,257
	-10%	(28,976,257)	(28,976,257)

31 December 2012

	Change in assumptions	Net Impact on net liabilities SR	Impact on net income SR
Ultimate loss ratio	+10%	15,917,731	(15,917,731)
	-10%	(15,917,731)	15,917,731

31.2 Retrocession risk

In order to minimize its financial exposure arising from large claims, the Company in the normal course of business, enters into retrocession agreements with other parties. Amounts recoverable from retrocessionaire are estimated and recognized in a manner consistent with the amounts associated with the underlying accepted policy benefits and in accordance with the terms of the respective retrocession treaties and are presented in the statement of financial position as reinsurance assets

To minimize its exposure to significant losses from retrocessionaire insolvencies, the Company evaluates the financial condition of its retrocessionaires and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retrocessionaire.

Retrocessionaires are selected using the following parameters and guidelines set by the Company's Board of Directors and Risk and Underwriting Committee. The criteria may be summarized as follows:

- Minimum acceptable credit rating by recognized rating agencies (e.g. Standard & Poors) that is not lower than BBB (S&P) or equivalent.
- Reputation of particular retrocessionaire companies.
- Existing or past business experience with the retrocessionaire.

Furthermore, the financial strength, managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company and matched against a list of requirements pre-set by the Company's Board of Directors and Risk and Underwriting Committee before approving them as retrocessionaires.

Retrocession contracts do not relieve the Company from its obligations to ceding companies and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the retrocessionaire fails to meet the obligations under the retrocession agreements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.3 Credit risk

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

For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

37% of the Company's receivables is due from four ceding companies as at 31 December 2013 (31 December 2012: 37%)

However, 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 retrocessionaires insolvencies, the Company evaluates the financial condition of its retrocessionaires counterparties. Accordingly, as a pre-requisite, the parties with whom retrocession is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company enters into inward insurance contracts with recognized, creditworthy third parties. In addition, receivables from ceding companies are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to ceding companies through monitoring outstanding receivables.
- The Company, with respect to credit risk arising from other financial assets, only deals with commercial banks with strong financial position and credit ratings.

The table below shows the maximum exposure to credit risk for the assets of the statements of financial position.

	31 December 2013 SR		31 December 2012 SR	
	Reinsurance operations	Shareholders' operations	Reinsurance operations	Shareholders' operations
Cash and cash equivalents	5,268,638	85,673,516	582,850	615,353
Time deposits	-	37,500,000	-	187,500,000
Premiums receivable	70,492,623	-	27,607,624	-
Deferred excess of loss premiums	-	-	11,592,791	-
Prepaid expenses and other assets	1,069,002	5,738,119	967,944	-
Due from shareholders' operations	173,315,949	-	6,385,126	-
Retroceded share of outstanding claims	104,888,918	-	42,123,104	-
Accrued special commission income from time deposits	-	1,040,241	-	477,740
Accrued special commission income from bonds and sukuk	-	3,295,158	-	3,279,972
Investments held at fair value through income statement	95,329,159	595,179,554	83,244,130	445,743,014
Held to maturity investments	-	173,995,409	-	209,047,506
Statutory deposit	-	100,000,000	-	100,000,000
	450,364,289	1,002,421,997	172,503,569	946,663,585

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.3 Credit risk (Continued)

The credit quality for held to maturity investments is as follows:

	31 December 2013 SR	31 December 2012 SR
Standard and Poors "AA-" to "AA"	56,760,435	57,002,149
Standard and Poors "A-" to "A+"	112,756,632	138,074,373
Standard and Poors "BBB"	4,478,343	4,475,517
Moody's "A3"	-	-
Moody's "Aa2"	-	9,495,467
	173,995,409	209,047,506

The used rating grades for investments are being adopted by Standard & Poors and Moody's agencies.

31.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All time deposits held by the Company at the statement of financial position date had original maturity periods between three months and five years.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations. Maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and premium deficiency reserves have been excluded from the analysis as they are not contractual obligations. Employees' end of service benefits did not have any fixed maturity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.4 Liquidity risk (continued)

Maturity profiles (continued)

	31 December 2013					
	Reinsurance' Operations			Shareholders' Operations		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
LIABILITIES						
Accounts payable	8,143,048	-	8,143,048	500,000	-	500,000
Retrocession balances payable	7,615,423	-	7,615,423	-	-	-
Accrued retroceded premiums	4,463,127	-	4,463,127	-	-	-
Gross outstanding claims	424,276,504	-	424,276,504	-	-	-
Accrued expenses and other liabilities	5,923,389	-	5,923,389	6,641,169	-	6,641,169
Provision for zakat and income tax	-	-	-	33,184,598	-	33,184,598
Due to reinsurance operations	-	-	-	173,315,949	-	173,315,949
	450,421,491	-	450,421,491	213,641,716	-	213,641,716

	31 December 2012					
	Reinsurance' Operations			Shareholders' Operations		
	Up to one year SR	More than one year SR	Total SR	Up to one year SR	More than one year SR	Total SR
LIABILITIES						
Accounts payable	4,768,189	-	4,768,189	1,000,000	-	1,000,000
Retrocession balances payable	3,265,617	-	3,265,617	-	-	-
Accrued retroceded premiums	4,243,430	-	4,243,430	-	-	-
Gross outstanding claims	159,413,407	-	159,413,407	-	-	-
Accrued expenses and other liabilities	10,025,363	-	10,025,363	4,282,585	-	4,282,585
Provision for zakat and income tax	-	-	-	30,086,812	-	30,086,812
Due to reinsurance operations	-	-	-	6,385,126	-	6,385,126
	181,716,006	-	181,716,006	41,754,523	-	41,754,523

Liquidity profile

None of the liabilities shown in the statement of financial position is based on discounted cash flows and is all payable on the basis as set out above.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.4 Liquidity risk (continued)

Maturity analysis on expected maturity bases

	31 December 2013					
	Reinsurance' Operations			Shareholders' Operations		
	Current SR	Non-Current SR	Total SR	Current SR	Non-Current SR	Total SR
ASSETS						
Cash and bank balances	5,268,638	-	5,268,638	85,673,516	-	85,673,516
Premium receivables, net	70,492,623	-	70,492,623	-	-	-
Investments held at fair value through income statement	95,329,159	-	95,329,159	595,179,554	-	595,179,554
Accrued insurance premiums	164,869,180	-	164,869,180	-	-	-
Retroceded share of outstanding Claims	104,888,575	-	104,888,575	-	-	-
Prepaid expenses and other assets	1,069,002	-	1,069,002	5,738,119	-	5,738,119
Due from shareholders' operations	173,315,949	-	173,315,949	-	-	-
Retroceded share of unearned Premiums	2,344,151	-	2,344,151	-	-	-
Deferred acquisition costs	54,445,929	-	54,445,929	-	-	-
Deferred excess of loss premiums	15,716,948	-	15,716,948	-	-	-
Property and equipment, net	-	7,337,119	7,337,119	-	32,991,742	32,991,742
Time deposits	-	-	-	-	37,500,000	37,500,000
Held to maturity investments	-	-	-	28,427,662	145,567,747	173,995,409
Accrued special commission income from time deposits	-	-	-	-	1,040,241	1,040,241
Accrued special commission income from bonds and sukuk	-	-	-	-	3,295,158	3,295,158
Statutory deposit	-	-	-	-	100,000,000	100,000,000
	687,740,154	7,337,119	695,077,273	715,018,851	320,394,888	1,035,413,739
LIABILITIES						
Accounts payable	8,143,048	-	8,143,048	500,000	-	500,000
Retrocession balances payable	7,615,523	-	7,615,523	-	-	-
Accrued retroceded premiums	4,463,127	-	4,463,127	-	-	-
Gross unearned premiums	215,025,067	-	215,025,067	-	-	-
Gross outstanding claims	424,276,504	-	424,276,504	-	-	-
Premium deficiency reserve	26,167,000	-	26,167,000	-	-	-
Unearned commission income	810,894	-	810,894	-	-	-
Accrued expenses and other liabilities	5,923,389	-	5,923,389	6,641,169	-	6,641,169
Employees' end of service benefits	-	1,720,644	1,720,644	-	-	-
Provision for zakat and income tax	-	-	-	33,184,598	-	33,184,598
Due to reinsurance operations	-	-	-	173,315,949	-	173,315,949
	692,424,552	1,720,644	694,145,196	213,641,716	-	213,641,716

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31 RISK MANAGEMENT (Continued)

31.4 Liquidity risk (Continued)

Maturity analysis on expected maturity bases (Continued)

	31 December 2012					
	Reinsurance' Operations			Shareholders' Operations		
	Current SR	Non-Current SR	Total SR	Current SR	Non-Current SR	Total SR
ASSETS						
Cash and bank balances	582,850	-	582,850	615,353	-	615,353
Premium receivables, net	27,607,624	-	27,607,624	-	-	-
Investments held at fair value through income statement	83,244,130	-	83,244,130	445,743,014	-	445,743,014
Accrued insurance premiums	91,900,865	-	91,900,865	-	-	-
Retroceded share of outstanding Claims	42,123,104	-	42,123,104	-	-	-
Prepaid expenses and other assets	967,944	-	967,944	4,282,585	-	4,282,585
Due from shareholders' operations	6,385,126	-	6,385,126	-	-	-
Retroceded share of unearned Premiums	5,755,601	-	5,755,601	-	-	-
Deferred acquisition costs	32,506,462	-	32,506,462	-	-	-
Deferred excess of loss premiums	11,592,791	-	11,592,791	-	-	-
Property and equipment, net	-	5,303,065	5,303,065	-	29,784,000	29,784,000
Time deposits	-	-	-	-	187,500,000	187,500,000
Held to maturity investments	-	-	-	9,495,468	199,552,038	209,047,506
Accrued special commission income from time deposits	-	-	-	-	477,740	477,740
Accrued special commission income from bonds and sukuk	-	-	-	-	3,279,972	3,279,972
Statutory deposit	-	-	-	-	100,000,000	100,000,000
	302,666,497	5,303,065	307,969,562	460,136,420	520,593,750	980,730,170
LIABILITIES						
Accounts payable	4,768,189	-	4,768,189	1,000,000	-	1,000,000
Retrocession balances payable	3,265,617	-	3,265,617	-	-	-
Accrued retroceded premiums	4,243,430	-	4,243,430	-	-	-
Gross unearned premiums	122,378,709	-	122,378,709	-	-	-
Gross outstanding claims	159,413,407	-	159,413,407	-	-	-
Unearned commission income	1,580,555	-	1,580,555	-	-	-
Accrued expenses and other liabilities	10,025,363	-	10,025,363	4,282,585	-	4,282,585
Employees' end of service benefits	-	1,362,215	1,362,215	-	-	-
Provision for zakat and income tax	-	-	-	30,086,812	-	30,086,812
Due to reinsurance operations	-	-	-	6,385,126	-	6,385,126
	305,675,270	1,362,215	307,037,485	41,754,523	-	41,754,523

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31 RISK MANAGEMENT (Continued)

31.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are carried out in local and foreign currencies. Management believes that there is no significant foreign currency exposure since most of the Company's transactions were performed in foreign currencies which are pegged to Saudi Riyals.

The table below represents the Company's assets and liabilities denominated in major currencies as follows:

	USD		QAR		AED		EUR		KWD		INR		Other		Total		
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	
31 December 2013																	
ASSETS																	
Reinsurance operations																	
Cash and cash equivalents	4,445,635	674,427	-	-	6,167	142,409	-	-	-	-	-	-	-	-	-	-	5,268,638
Premiums receivable	33,945,666	971,120	4,142,343	4,142,343	5,740,841	(4,935)	5,387,259	12,999,585	7,310,744								70,492,623
Investments held at fair value through income statement	58,097,639	37,231,520	-	-	-	-	-	-	-	-	-	-	-	-	-	-	95,329,159
Accrued insurance premiums	77,395,490	29,295,334	6,918,781	6,918,781	7,324,315	56,672	1,991,907	4,451,721	37,434,960								164,869,180
Retroceded share of outstanding Claims	82,092,977	13,317,030	233,955	233,955	1,816,775	202	3,542,056	-	3,885,580								104,888,575
Prepaid expenses and other assets	1,069,002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,069,002
Due from shareholders' operations	173,315,949	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	173,315,949
Retroceded share of unearned Premiums	2,344,151	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,344,151
Deferred acquisition costs	54,445,929	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,445,929
Deferred excess of loss premiums	15,716,948	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,716,948
Property and equipment, net	7,337,119	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,337,119
Shareholders																	
Cash and cash equivalents	2,405,790	56,242,874	-	-	-	27,024,852	-	-	-	-	-	-	-	-	-	-	85,673,516
Time deposits	-	37,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,500,000
Accrued special commission income from time deposits	-	1,040,241	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,040,241
Accrued special commission income from bonds and sukuk	656,514	2,638,644	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,295,158
Investments held at fair value through income statement	350,898,863	244,280,691	-	-	-	-	-	-	-	-	-	-	-	-	-	-	595,179,554
Held to maturity investments	745,409	173,250,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	173,995,409
Statutory deposit	100,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000,000
Property and equipment	32,991,742	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,991,742
Other assets	5,738,119	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,738,119
	1,003,642,942	596,441,881	11,295,079	11,295,079	14,888,098	27,219,200	10,921,222	17,451,306	48,631,284	1,730,491,012							

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31 RISK MANAGEMENT (Continued)

31.5 Currency risk (continued)

	31 December 2012		USD		QAR		AED		EUR		KWD		INR		Other		Total		
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	
ASSETS																			
Reinsurance operations																			
Cash and cash equivalents	378,919	79,869	-	-	124,062	-	-	-	-	-	-	-	-	-	-	-	-	-	582,850
Premiums receivable	7,677,994	5,330,516	1,834,981	3,627,870	727,846	-	-	-	-	-	-	-	-	-	-	-	-	8,408,417	27,607,624
Investments held at fair value through income statement	83,244,130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83,244,130
Accrued insurance premiums	45,314,791	10,334,485	4,178,997	7,110,976	53,869	-	-	-	-	-	-	-	-	-	-	-	-	24,907,747	91,900,865
Retrieved share of outstanding Claims	35,957,353	875,207	377,584	1,208,421	64,572	-	-	-	-	-	-	-	-	-	-	-	-	3,639,967	42,123,104
Prepaid expenses and other assets	967,944	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	967,944
Due from shareholders' operations	6,385,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,385,126
Retrieved share of unearned Premiums	5,755,601	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,755,601
Deferred acquisition costs	32,506,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,506,462
Deferred excess of loss premiums	11,592,791	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,592,791
Property and equipment, net	5,303,065	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,303,065
Shareholders																			
Cash and cash equivalents	307,376	307,977	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	615,353
Time deposits	150,000,000	37,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	187,500,000
Accrued special commission income from time deposits	375,000	102,740	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	477,740
Accrued special commission income from bonds and sukuk	285,062	2,894,306	-	-	100,604	-	-	-	-	-	-	-	-	-	-	-	-	-	3,279,972
Investments held at fair value through income statement	164,550,018	281,192,996	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	445,743,014
Held to maturity investments	-	184,125,227	-	-	24,922,279	-	-	-	-	-	-	-	-	-	-	-	-	-	209,047,506
Statutory deposit	100,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000,000
Property and equipment	29,784,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,784,000
Other assets	4,282,585	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,282,585
	684,668,217	522,743,323	6,391,562	11,947,267	25,993,232	-	-	-	-	-	-	-	-	-	-	-	-	36,956,131	1,288,699,732

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.5 Currency risk (Continued)

	USD		QAR		AED		EUR		KWD		INR		Other		Total		
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	
31 December 2013																	
LIABILITIES																	
Reinsurance operations																	
Accounts payable	8,143,048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,143,048
Retrocession balances payable	7,615,523	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,615,523
Accrued retrocession premiums	4,463,127	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,463,127
Gross unearned premiums	121,820,303	21,305,718	8,276,506	6,524,643	330,060	3,592,776	9,063,223	44,111,838	215,025,067								
Gross outstanding claims	315,960,413	28,483,767	13,678,609	12,833,904	348,609	8,855,910	7,150,996	36,964,296	424,276,504								
Premium Deficiency Reserve	26,167,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,167,000
Unearned commission income	810,894	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	810,894
Surplus distribution payable	932,077	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	932,077
Accrued expenses and other liabilities	5,923,389	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,923,389
Employees' end of service benefits	1,720,644	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,720,644
Shareholders																	
Accounts payable	500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500,000
Provision for zakat and income tax	33,184,598	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,184,598
Due to reinsurance operations	173,315,949	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	173,315,949
Other liabilities	6,641,169	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,641,169
	707,198,134	49,789,485	21,955,115	19,358,547	678,669	12,448,686	16,214,219	81,076,134	908,718,989								

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.5 Currency risk (Continued)

	SR		USD		QAR		AED		EUR		KWD		INR		Other		Total		
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	
31 December 2013																			
LIABILITIES																			
Reinsurance operations																			
Accounts payable	4,768,189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,768,189
Retrocession balances payable	3,265,617	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,265,617
Accrued retrocession premiums	2,673,555	566,442	27,931	198,253	11,723	-	-	-	765,526	-	-	-	-	-	-	-	-	-	4,243,430
Gross unearned premiums	122,378,709	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	122,378,709
Gross outstanding claims	93,615,221	10,174,722	9,021,200	7,555,040	158,761	-	-	-	38,888,463	-	-	-	-	-	-	-	-	-	159,413,407
Unearned commission income	1,580,555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,580,555
Surplus distribution payable	932,077	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	932,077
Accrued expenses and other liabilities	10,025,363	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,025,363
Employees' end of service benefits	1,362,215	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,362,215
Shareholders																			
Accounts payable	1,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000
Provision for zakat and income tax	30,086,812	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,086,812
Due to reinsurance operations	6,385,126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,385,126
Other liabilities	4,282,585	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,282,585
	282,356,024	10,741,164	9,049,131	7,753,293	170,484	-	-	-	39,653,989	-	-	-	-	-	-	-	-	-	349,724,085

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2013

31. RISK MANAGEMENT (Continued)

31.6 Special commission rate risk

Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair values of financial instruments. The Company's Management believes that there is no significant commission rate risk exposure since all its commission bearing investments have fixed commission rate and are carried at amortized cost.

31.7 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 limits fund price risk by maintaining a diversified portfolio by having different types of funds (i.e., money market fund and commodity trading fund) and by monitoring of developments in fund markets.

A 5% change in the net asset value of funds, with all other variables held constant, would impact net income by increase / decrease of SR 12,199,060 (31 December 2012: SR 7,863,981).

31.8 Capital Management risk

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholders' value.

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

The table below summarizes the minimum regulatory capital of the Company and the total capital held:

	2013 SR	2012 SR
Total capital held	821,772,023	938,975,647
Minimum regulatory capital	200,000,000	200,000,000

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

31. RISK MANAGEMENT (Continued)

31.9 Fair value of financial instruments

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

31.10 Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions such as capital adequacy to minimize the risk of default and insolvency on the part of the reinsurance companies and to enable them to meet unforeseen liabilities as these arise.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on xxx, 1435H corresponding to February xx, 2014. S

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