AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO DECEMBER 31, 2010

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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PRICEWATERHOUSECOOPERS

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Amana Cooperative Insurance Company

Scope of Audit:

We have audited the accompanying statement of financial position of Amana Cooperative Insurance Company - A Saudi Joint Stock Company (the "Company") as at December 31, 2010 and the related statements of insurance operations, shareholders' comprehensive loss, changes in shareholders' equity and insurance operations and shareholders' cash flows for the period from May 17, 2010 (date of Ministerial Resolution) to December 31, 2010 and the notes which form part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and 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 accompanying financial statements taken as a whole, present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and the results of its operations and its cash flows for the period from May 17, 2010 (date of Ministerial Resolution) to December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of a matter:

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

PricewaterhouseCoopers
P.O. Box 8282
Riyadh 11482
Saudi Arabia

Omar M. Al Sagga
Certified Public Accountant
Registration No. 369

Deloitte & Touche
Bakr Abulkhair & Co.
P. O. Box 213
Riyadh 11411, Saudi Arabia

Ehsan A. Makhdoum
Certified Public Accountant
Registration No. 358

Rabi Al Awal 19, 1432H
February 22, 2011

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	Notes	SR '000
INSURANCE OPERATIONS' ASSETS		
Cash and cash equivalents	5	**36,264**
Receivables, net	6	**10,579**
Reinsurers' share of unearned premium	7	**18,945**
Reinsurers' share of outstanding claims	7,8	**1,509**
Deferred policy acquisition costs	7	**7,025**
Prepaid expenses and other assets		**4,539**
Property and equipment, net	9	**1,269**
Total insurance operations' assets		**80,130**
SHAREHOLDERS' ASSETS		
Cash and cash equivalents	5	**239,445**
Statutory deposit	10	**32,000**
Due from insurance operations		**552**
Total shareholders' assets		**271,997**
TOTAL ASSETS		**352,127**

The accompanying notes 1 to 23 are an integral part of these financial statements

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (Continued)
AS AT DECEMBER 31, 2010

	Notes	SR '000
INSURANCE OPERATIONS' LIABILITIES		
Reinsurers' balances payable		**20,388**
Unearned premium	7	**49,056**
Unearned reinsurance commission	7	**252**
Outstanding claims	7	**2,833**
Accrued expenses and other liabilities	11	**2,148**
Due to related parties	16	**4,901**
Due to shareholders		**552**
Total insurance operations' liabilities		**80,130**
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders' liabilities:		
Accrued expenses and other liabilities	11	**327**
Total shareholders' liabilities		**327**
Shareholders' equity:		
Share capital	13	**320,000**
Accumulated deficit		**(48,330)**
Total shareholders' equity		**271,670**
Total shareholders' liabilities and equity		**271,997**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**352,127**

The accompanying notes 1 to 23 form an integral part of these financial statements

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO DECEMBER 31, 2010

	Notes	2010 SR '000
REVENUES		
Gross written premium		53,756
Less: Reinsurance ceded premium		(19,643)
Net written premium	7	34,113
Changes in unearned premium		(30,111)
Net earned premium	7	4,002
Reinsurance commission		40
Total revenues		4,042
COSTS AND EXPENSES		
Gross paid claims		24
Less: Reinsurance share		-
Net paid claims	7	24
Changes in outstanding claims	7	1,324
Net incurred claims	7	1,348
Policy acquisition costs	7	465
Excess of loss expenses		2,075
Other underwriting expenses		253
General and administrative expenses	14	15,052
Total costs and expenses		19,193
Deficit from insurance operations		(15,151)
Shareholders' absorption of deficit		15,151
ACCUMULATED DEFICIT		-

The accompanying notes 1 to 23 form an integral part of these financial statements

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE LOSS FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO DECEMBER 31, 2010

	Notes	2010 SR '000
Net deficit transferred from insurance operations		(15,151)
General and administrative expenses	14	(167)
Pre-operating expenses, net	19	(33,012)
Net loss for the period		**(48,330)**
Other comprehensive income/(loss)		-
Total comprehensive loss for the period		**(48,330)**
Earnings / (loss) per share:		
Basic and diluted loss per share (SR)	15	(1.51)
Weighted average number of shares in issue throughout the period		32,000,000

The accompanying notes 1 to 23 form an integral part of these financial statements

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO DECEMBER 31, 2010

	Share capital	Accumulated deficit	Total
		SR '000	
Issue of share Capital	320,000	-	320,000
Total comprehensive loss for the period	-	(48,330)	(48,330)
Balance as at December 31, 2010	320,000	(48,330)	271,670

The accompanying notes 1 to 23 form an integral part of these financial statements

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO DECEMBER 31, 2010

	Notes	2010 SR '000
Cash flows from operating activities		
Adjustments to reconcile deficit from insurance operations after shareholders' absorption to net cash provided by operating activities:		
Shareholders' absorption of deficit		**(15,151)**
Depreciation	9	**93**
Provision for doubtful receivables	6	**162**
Operating deficit after shareholders' absorption and adjustments and before changes in operating assets and liabilities		**(14,896)**
Changes in operating assets and liabilities:		
Receivables		**(10,741)**
Reinsurers' share of unearned premium		**(18,945)**
Reinsurers' share of outstanding claims		**(1,509)**
Deferred policy acquisition costs		**(7,025)**
Prepaid expenses and other assets		**(4,539)**
Due to shareholders		**15,703**
Reinsurers' balances payable		**20,388**
Unearned premium		**49,056**
Unearned reinsurance commission		**252**
Outstanding claims		**2,833**
Accrued expenses and other liabilities		**2,148**
Due to related parties		**4,901**
Net cash from operating activities		**37,626**
Cash flows from investing activities		
Additions to property and equipment	9	**(1,362)**
Net cash used in investing activities		**(1,362)**
Increase in cash and cash equivalents		**36,264**
Cash and cash equivalents, beginning of the period		**-**
Cash and cash equivalents, end of the period		**36,264**

The accompanying notes 1 to 23 form an integral part of these financial statements.

AMANA COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' CASH FLOWS
FOR THE PERIOD FROM MAY 17, 2010 (DATE OF MINISTERIAL RESOLUTION) TO DECEMBER 31, 2010

	Notes	2010 SR '000
Cash flows from operating activities		
Net loss for the period		**(48,330)**
Adjustments to reconcile net loss to net cash provided by operating activities		
Absorption of loss from insurance operations		**15,151**
Operating loss before changes in operating assets and liabilities		**(33,179)**
Changes in operating assets and liabilities:		
Accrued expenses and other liabilities		**327**
Due from insurance operations		**(15,703)**
Net cash used in operating activities		**(48,555)**
Cash flows from financing activities		
Statutory deposit	10	**(32,000)**
Issued share capital		**320,000**
Net cash from financing activities		**288,000**
Increase in cash and cash equivalents		**239,445**
Cash and cash equivalents, beginning of the period		**-**
Cash and cash equivalents, end of the period		**239,445**

The accompanying notes 1 to 23 form an integral part of these financial statements.

1. GENERAL

Amana Cooperative Insurance Company (the "Company") is a Saudi joint stock company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/35 dated on Jumad Al-Akher 3, 1431H (corresponding to May 17, 2010), and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010288711 dated Jumad Al-Akher 10, 1431H (corresponding to May 24, 2010). The Company's head office is at Salah-uddin Al-Ayubi Street, P.O. Box 27986, Riyadh 11427, Kingdom of Saudi Arabia.

The objectives of the Company are to engage in providing insurance and reinsurance related services in accordance with its Articles of Association and the applicable regulations in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.2 Basis of Presentation

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

As per the Company's bye-law and Articles of Association, the Company's first fiscal period shall commence on the date of the Ministerial Resolution announcing its formation, which was dated Jumad Al-Akher 3, 1431H (corresponding to May 17, 2010), and shall end on December 31, the following Gregorian year, being December 31, 2011. These financial statements cover the period from May 17, 2010, being the date of the Ministerial Resolution to December 31, 2010 (the period), and have been prepared for the use of management and for submission to certain government agencies. These are the first financial statements of the Company therefore no comparative information is presented in these financial statements.

2.3 Basis of measurement

These financial statements are prepared under the historical cost convention.

2.4 Functional and presentation currency

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

2.5 Critical accounting judgments, estimates and assumptions

The preparation of financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2. BASIS OF PREPARATION (Continued)

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date is discussed below. Further details of the specific estimate and judgments made by management are given in the relevant accounting policies notes:

(i) The ultimate liability arising from claims made under insurance contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims 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 Company uses the projected claims method to estimate the IBNR claims and it is as per the estimate of Actuary.

(ii) Deferred acquisition costs
Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of insurance operations over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations.

(iii) 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.

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATION

3.1 Standards affecting the disclosures and presentation in the current period

None of the revised Standards that have been adopted in the current period which is effective for annual periods beginning on or after January 1, 2010 has affected the disclosures and presentations in the financial statements. Details of those Standards adopted in these financial statements but that have had no effect on the amounts reported are set out in Note 3.2.

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATION (Continued)

3.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

New Interpretations:		**Effective for annual periods beginning on or after**
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 18	Transfers of Assets from Customers	Transfers received on or after July 1, 2009
Amendments to Standards:		
IFRS 2	Share-based Payment – Amendments relating to group cash-settled share-based payment transactions	January 1, 2010
IFRS 3	Business Combinations- Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 annual improvements to IFRS's	July 1, 2009
IFRS 8	Operating Segments – Amendments for disclosure of segment assets	January 1, 2010
IAS 27	Consolidated and Separate Financial Statements-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement- Amendments for eligible hedged Items	July 1, 2009
IAS 31	Interests in Joint Ventures-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
Various Standards	Amendments resulting from April 2009 Annual Improvements to IFRS's	Various

3. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATION (Continued)

3.3 Standards and Interpretations in issue not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not effective:

		Effective for annual periods beginning on or after
New Interpretation:		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
New Standard:		
IFRS 9	Financial Instruments	January 1, 2013
Amendments to Standards and Interpretations:		
IFRS 1	First-time Adoption of International Financial Reporting Standards-Amendment relating to limited exemption from comparative IFRS 7 disclosures for first-time adopters	July 1, 2010
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
IAS 24	Related Party Disclosures	January 1, 2011
IAS 32	Financial Instruments: Presentation – Classification of Right Issues	February 1, 2010
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011
Various Standards	Amendments resulting from May 2010 Annual Improvements to IFRS's	Various

The Directors anticipate that other than IFRS 9 all of the above Standards and Interpretations as applicable, will be adopted in the Company's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application. IFRS 9 is likely to affect the Company's accounting for its financial assets. The Company is yet to assess IFRS 9's full impact.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Insurance contracts

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4.2 Reinsurance

In the ordinary course of business, the Company cedes insurance premium and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, and excess of loss reinsurance agreement. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties.

4.3 Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets (including insurance receivables) may be impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for changes in its carrying amounts as follows:

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount; and
- for financial assets at fair value, the impairment loss is based on the decline in fair value.
- for assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

For presentation purposes, the resulting reserve is carried in the respective category within the statement of financial position and the related statements of insurance operations or shareholders' comprehensive loss are adjusted.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

4.5 Deferred policy acquisition costs

Direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a pro-rata basis based on the term of expected future premiums, except for marine cargo where the deferred portion shall be the cost incurred during the last quarter. Amortization is recorded in the statement of insurance operations.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

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

4.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Pre-operating expenses

Pre-operating expenses comprise expenditure relating to activities that occur only once and relate to opening a new business location, or providing a new product or service, or commencing a business in a new geographic location, or providing a service to a new class of customers, or commencing new procedures in an existing location, or commencing new operations. These costs include underwriting fees, lawyers, administrators, consultants and accountants fees, various fees relating to registering the Company, advertising and promotion expenses relating to establishing the Company, costs of the share certificates and expenditure to obtain licenses. The pre-operating expenses have been recognized directly in the statement of shareholders' comprehensive loss.

4.8 Provisions for obligations

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

4.9 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the exchange rates prevailing at that date. Gains and losses from settlement of such transactions and from translation at period end exchange rate of monetary assets and liabilities denominated in foreign currencies are included in the statement of insurance operations or shareholders' comprehensive loss.

4.10 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy 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 insurance operations initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Receivables

Accounts receivable are non-derivative financial assets with fixed or determinable payments. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

4.12 End of service indemnities

Employees' end of service indemnities are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at 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 Saudi labor law.

4.13 Recognition of premium and commission revenue

Gross premiums and commissions on insurance contracts are recognized when the insurance policy is issued. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and commissions, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for marine cargo. The unearned portion for marine cargo shall be the premium written during the last three months of the current financial period.

4.14 Claims

Gross claims consist of benefits and claims paid to policyholders, changes in the valuation of the liabilities arising on policyholders' contracts and internal and external claims handling expenses net of salvage recoveries.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the statement of financial position date together with related claims handling costs and a reduction for the expected value of salvage and other recoveries, whether reported by the insured or not. Provisions for reported claims not paid as of the statement of financial position date are made on the basis of individual case estimates. In addition, a provision based on Management's judgment is maintained for the cost of settling claims incurred but not reported (IBNR) including related claims handling costs and the expected value of salvage and other recoveries at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following period is included in the statement of insurance operations.

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. The IBNR is calculated based on the Actuarial report.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 De-recognition of financial instruments

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

4.16 Offsetting

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 realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of insurance operations and shareholders' comprehensive loss unless required or permitted by any accounting standard or interpretation.

4.17 Leases

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

4.18 Zakat and Income Tax

The Saudi shareholders are subject to Zakat as per the Zakat Regulation. Accrued zakat is charged to Saudi shareholders.

The non-Saudi shareholders are subject to the Saudi Tax Regulation. . Accrued tax is charged to none Saudi shareholders.

4.19 Segment reporting

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

- Medical provides coverage for health insurance and any other insurance included under this class of insurance.
- Motor provides coverage against losses and liability related to motor vehicles.
- Property provides coverage against fire insurance, and any other insurance included under this class of insurance.
- Engineering provides coverage for builder's risks, construction, mechanical, electrical, electronic, and machinery breakdown, and any other insurance included under this class of insurance.
- Marine cargo
- General accident and other

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director that makes strategic decisions.

No inter-segment transactions occurred during the period. If any transactions 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 be eliminated at the level of the financial statements of the Company.

5. CASH AND CASH EQUIVALENTS

i) Insurance operations:
Insurance operations' cash and cash equivalents are comprised of the following:

	2010 SR '000
Cash in hand	8
Bank current accounts	36,256
Total	36,264

ii) Shareholders:
Shareholders' cash and cash equivalents are comprised of the following:

	2010 SR '000
Bank current accounts	239,445
Total	239,445

Bank current accounts are placed with local Banks having sound credit ratings.

6. RECEIVABLES, NET

Receivables from insurance operations are comprised of amounts due from the following:

	2010 SR '000
Policyholders	7,258
Agents and brokers	1,818
Related party (Note 16)	1,665
	10,741
Provision for doubtful receivables	(162)
Total	10,579

6. RECEIVABLES, NET (Continued)

Movements in the provision for doubtful receivables were as follows:

	2010 SR '000
Charge for the period	162
At the end of the period	162

As at December 31, the ageing of receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 – 60 days	Above 61 days	Impaired
			SR '000			
2010	10,741	6,604	2,113	417	529	1,078

Receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within 30 days of the date of the transaction. Arrangements with reinsurers normally require settlement within a certain agreed period.

7. MOVEMENTS IN UNEARNED PREMIUM, UNEARNED REINSURANCE COMMISSION, OUTSTANDING CLAIMS AND DEFERRED POLICY ACQUISITION COSTS

7.1 Unearned premium

	2010 SR
Net written premium	34,113
Net earned premium	(4,002)
At the end of the period	30,111
Reinsurers' share of unearned premium	18,945
Unearned premium	49,056

7.2 Unearned reinsurance commission

	2010 SR '000
Commission received during the period	292
Commission earned during the period	(40)
At the end of the period	252

7. MOVEMENTS IN UNEARNED PREMIUM, UNEARNED REINSURANCE COMMISSION, OUTSTANDING CLAIMS AND DEFERRED POLICY ACQUISITION COSTS (Continued)

7.3 Outstanding claims

	2010		
	Gross	Reinsurers' share	Net
		SR' 000	
Claims paid	(24)	-	(24)
Claims incurred	2,857	1,509	1,348
Total at the end of the period	2,833	1,509	1,324
Outstanding claims	879	402	477
Incurred but not reported	1,954	1,107	847
Total at the end of the period	2,833	1,509	1,324

7.4 Deferred policy acquisition costs

	2010
	SR '000
Incurred during the period	7,490
Amortized during the period	(465)
At the end of the period	7,025

8. REINSURERS' SHARE OF OUTSTANDING CLAIMS

Reinsurers' share of outstanding claims is comprised of net amounts due from the following:

	2010
	SR '000
Reinsurers' share of insurance liabilities (Note 7)	1,509

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the statement of financial position date. Reinsurers share of outstanding claims are calculated in proportion to the related risk distribution pattern.

9. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements	Computer hardware & software and office equipment	Furniture and fixtures	Total 2010
		SR '000		
Cost				
Additions	**508**	**720**	**134**	**1,362**
At the end of the period	**508**	**720**	**134**	**1,362**
Accumulated depreciation				
Charged during the period	**25**	**63**	**5**	**93**
At the end of the period	**25**	**63**	**5**	**93**
Net book value				
December 31, 2010	**483**	**657**	**129**	**1,269**

10. STATUTORY DEPOSIT

In compliance with Article 58 of the Implementing Regulations of SAMA, the Company has deposited 10 percent of its Share capital, amounting to SR 32 million in a bank designated by SAMA. The statutory deposit is maintained with a reputed bank and can be withdrawn only with the consent of SAMA.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

11.1 Insurance operations:

Accrued expenses and other liabilities of the insurance operations are comprised of the following:

	2010 SR '000
End-of service indemnities	**729**
Council for Cooperative Health Insurance (CCHI) fees	**487**
Accrued SAMA inspection fees	**247**
Accrued vacation allowance	**243**
Accounts payable – others	**234**
Provision for reinsurance withholding tax	**109**
Other liabilities	**99**
Total	**2,148**

11.2 Shareholders:

Accrued expenses and other liabilities related to the shareholders are comprised of the following:

	2010 SR '000
Board of Directors' sitting fees (note 16)	**126**
Others	**201**
	327

12. ZAKAT AND INCOME TAX

No provision for Zakat has been made for Saudi shareholders because the financial statements are prepared for the short period ended December 31, 2010 which is less than 12 months, hence management believes that Zakat is not yet due..

No provision for Income tax has been made for non-Saudi shareholders because the Company has suffered loss in the current period.

13. SHARE CAPITAL

The share capital of the Company is SR 320 million divided into 32 million shares of SR 10 each. The founding shareholders of the Company have subscribed and paid for SR 192,000,000 (19,200,000 shares) with a nominal value of SR 10 each, which represent 60% of the shares of the Company and the remaining SR 128,000,000 (12,800,000 shares) with a nominal value of SR 10 each have been subscribed by the public. At December 31, 2010, the Company is owned 80% by Saudi shareholders, and 20% by non-Saudi shareholders.

14. GENERAL AND ADMINISTRATIVE EXPENSES

14.1) Insurance operations:

Insurance operations' general and administrative expensive are grouped as follows for the period ended December 31, 2010

		SR '000
Operating and administrative salaries	14.1.1	**11,687**
Other general and administrative expenses	14.1.2	**3,365**
Total costs and expenses		**15,052**

14.1.1 OPERATING AND ADMINISTRATIVE SALARIES

	SR '000
Basic salaries	**7,475**
Housing allowances	**1,867**
Transportation allowances	**753**
Social security charges	**171**
Others	**1,421**
	11,687

14 GENERAL AND ADMINISTRATIVE EXPENSES (Continued)

14.1.2 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	SR '000
Advertisement promotion and printing	607
Withholding tax	110
Provision for doubtful debts	162
Sama Fees	269
Depreciation expense	93
CCHI Fees	487
Professional fees	146
Communication expenses	228
Office supplies	254
End of service indemnity	729
Third Party administration fees	257
Others	23
	3,365

14.2) Shareholders:

Shareholders' general and administrative expenses for the period ended December 31, 2010are as follows:

	SR '000
General and administrative expenses	**167**

15. EARNINGS / (LOSS) PER SHARE

Loss per share has been calculated by dividing the net loss for the period by the weighted average number of issued and outstanding shares for the period.

16. RELATED PARTY TRANSACTIONS

The significant transactions with related parties and the related amounts are as follows:

	2010 SR '000
Insurance Policies issued to:	
El Seif Engineering Contracting Co.	**483**
Fal Group	**1,238**
Fahad Mohammed Saleh Al Athel	**63**
AlBilad Establishment for Trading	**1,091**
	2,875
Administration fee of GlobeMed for handling medical claims	**257**

16 RELATED PARTY TRANSACTIONS (Continued)

Due to/from related parties as at December 31, 2010 are comprised of the following:

	2010 SR'000
i) Insurance Operations	
Due from El Seif Engineering Contracting Co.	**175**
Due from Fal Group	**459**
Due from AlBilad Establishment for Trading	**1,031**
Due to Amana Gulf Insurance (AGI)	**821**
Due to GlobeMed Saudi	**4,080**
ii) Shareholders' Operations	
Payable to Board of Directors	**126**

Due to AGI represents the expenses paid by AGI on behalf of the Company.

GlobeMed Saudi is a related party due to Common ownership and the amount due represents the Third Party administration fees for medical claims handled under the agreement approved by the Board of Directors. The whole amount is deferred during the period and out of which SR 0.257 million is charged to the statement of Insurance operations.

Remuneration and compensation of Board of Directors, Members and Top Executives

The following table shows the annual salaries, remuneration and allowances obtained by the Board members and five top executives for the period ended December 31, 2010.

2010	BOD members (Executive)	BOD members (Non-Executive)	Top Executives
		(SR'000)	
Salaries and compensation	900	-	1,848
Allowances	315	126	612
Total	1,215	126	2,460

No payments have been made to the Non-Executive Board of Directors for the period ended December 31, 2010.

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, receivables and financial liabilities consisting of payables, accrued expenses and other liabilities.

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

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

As at December 31, 2010 the Company did not have financial assets that are carried at fair value.

18. SEGMENT INFORMATION

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

Segment assets do not include insurance operations' cash and cash equivalents, prepaid expenses and other assets and property and equipment, net.

Segment liabilities do not include insurance operations' accrued expenses and other liabilities, due to related parties and due to shareholders.

18. SEGMENT INFORMATION (Continued)

Operating segments

For the period from May 17, 2010 (Date of ministerial resolution) to December 31, 2010

	Medical	Motor	Property	Engineering	Marine cargo	General accident & others	Total
				SR '000			
Insurance operations							
Gross written premium	48,671	1,949	2,477	160	198	301	53,756
Reinsurance ceded premium	(18,174)	-	(1,277)	(60)	(76)	(56)	(19,643)
Net written premium	30,497	1,949	1,200	100	122	245	34,113
Changes in unearned premium	(28,218)	(903)	(780)	54	(82)	(182)	(30,111)
Net earned premium	2,279	1,046	420	154	40	63	4,002
Reinsurance commission	-	-	28	3	7	2	40
Total revenues	2,279	1,046	448	157	47	65	4042
Gross paid claims	-	24	-	-	-	-	24
Reinsurance share	-	-	-	-	-	-	-
Net paid claims	-	24	-	-	-	-	24
Changes in outstanding claims	908	290	81	7	20	18	1,324
Net incurred claims	908	314	81	7	20	18	1,348
Policy Acquisition costs	406	53	4	1	1	-	465
Excess of loss expenses	-	1,271	508	267	-	29	2,075
Other underwriting expenses	248	5	-	-	-	-	253
General and administrative expenses	14,329	318	325	(78)	58	100	15,052
Total cost and expenses	15,891	1,961	918	197	79	147	19,193
Deficit from insurance operations	(13,612)	(915)	(470)	(40)	(32)	(82)	(15,151)

18. SEGMENT INFORMATION (Continued)

As at December 31, 2010	Medical	Motor	Property	Engineering	Marine cargo	General accident & others	Total
				SR '000			
Insurance operations' assets							
Receivables, net	7,146	1,082	1,936	124	123	168	10,579
Reinsurers' share of unearned premium	16,651	636	1,362	183	52	61	18,945
Reinsurers' share of outstanding claims	1,360	-	82	4	60	3	1,509
Deferred policy acquisition costs	6,845	146	26	6	1	1	7,025
Unallocated assets							42,072
Total assets							80,130
Insurance operations' liabilities							
Reinsurers' balance payable	18,175	635	1,290	177	55	56	20,388
Unearned premium	44,869	1,539	2,142	129	134	243	49,056
Unearned reinsurance commission	-	-	213	14	14	11	252
Outstanding claims	2,268	290	163	11	80	21	2,833
Unallocated liabilities							7,601
Total liabilities							80,130

19. PRE-OPERATING EXPENSES, NET

	2010 SR '000
Pre-incorporation expenses	(31,811)
Pre-operating expenses	(2,694)
Less: Pre-operating income earned from time deposits up to the date of Ministerial Resolution (May 17, 2010)	1,493
	33,012

20. RISK MANAGEMENT

Risk governance
The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board. The Company is exposed to insurance, reinsurance, 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 summarized below.

20.1) Insurance risk

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

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

Significant portion of reinsurance business ceded is placed on a proportional basis with retention limits varying by product lines. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

20. RISK MANAGEMENT (Continued)

20.1) Insurance risk (Continued)

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements.

Key assumptions

The principal assumption underlying the estimates is the Company's estimated ultimate loss ratio. The ultimate loss was determined using actuarial methods as far as applicable.

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.

December 31, 2010

	Change in Assumptions	Impact on Net Liabilities SR '000	Impact on Net Income SR '000
Ultimate Loss Ratios (all classes of business)	10%	132	(132)
	-10%	(132)	132

20.2) Reinsurance risk

Similar to other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes.

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

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

a. Minimum acceptable credit rating by recognized rating agencies that is not lower than BBB.
b. Reputation of particular reinsurance companies.
c. Existing or past business relationship with the reinsurer.

20. RISK MANAGEMENT (Continued)

The exception to this rule is in respect of local companies who do not carry any such credit rating. This, however, is limited to those companies registered and approved by the Local Insurance Regulators.

Furthermore, the financial strength and 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 Reinsurance Committee before approving them for exchange of reinsurance business.

20.3) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management assesses that there is minimal risk of significant losses due to exchange rate fluctuations and, consequently, the Company does not hedge its foreign currency exposure.

20.4) Commission rate risk

Commission rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. Floating rate instruments expose the Company to cash flow commission risk, whereas fixed interest rate instruments expose the Company to fair value commission risk.

The Company is not currently exposed to commission rate risk as it does not have any such instrument.

20.5) Credit risk

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

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

- The Company only enters into insurance and reinsurance contracts with recognized, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company with respect to credit risk arising from other financial assets, is restricted to commercial banks and counterparties having strong balance sheets and credit ratings.

There are no significant concentrations of credit risk within the Company.

20. RISK MANAGEMENT (Continued)

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

	Insurance Operations	Shareholders Operations
	SR '000	
Cash and cash equivalents	36,264	239,445
Receivables, net	10,579	-
Statutory deposit	-	32,000
Reinsurer's share of outstanding claims	1,509	-
	48,352	271,445

20.6) Liquidity risk

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

The table below summarizes the maturities of the Company's undiscounted contractual obligations. As the Company does not have any commission bearing liabilities, the amounts in the table match the amounts in the statement of financial position:

Insurance Operations' Liabilities	Less than 12 months	More than 12 months	Total
		SR '000	
Reinsurers' balances payable	20,388	-	20,388
Outstanding claims	2,833	-	2,833
Accrued expenses and other liabilities	2,148	-	2,148
Due to related parties	4,901	-	4,901
Due to shareholders	552	-	552
	30,822	-	30,822
Shareholders' Liabilities			
Accrued expenses and other liabilities	327	-	327
	327	-	327

20. RISK MANAGEMENT (Continued)

20.7) Market price risk

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

20.8) 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 e.g. 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.

21. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it is able to continue as going concern and comply with the SAMA's capital requirements while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid capital, and deficit.

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

- Minimum Capital Requirement of SR 200 million
- Premium Solvency Margin
- Claims Solvency Margin

The Company is in compliance with the regulatory requirements and no change has been made to the capital base or to the objectives, policies and processes for managing capital.

22. CONTINGENT LIABILITY

The Company may be liable for contingent liabilities in respect of the period prior to incorporation. The Company believes it is unlikely that any such liability will arise.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on February 15, 2011.