SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND INDEPENDENT AUDITORS' REPORT

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

INDEX	**PAGES**

PKF Al-Bassam & Al-Nemer
Allied Accountants

Alnaim

INDEPENDENT AUDITORS' REPORT

To the Shareholders
Saudi United Cooperative Insurance Company (WALA'A)
Al-Khobar, Saudi Arabia

Scope of audit:

We have audited the accompanying statement of financial position of Saudi United Cooperative Insurance Company (Wala'a) - a Saudi Joint Stock Company ("the Company") as at December 31, 2015, and the related statements of insurance operations and surplus, shareholders' income, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the year then ended and the notes from 1 to 29 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 (IFRS) and the provisions of Article 123 of the Regulations for Companies and presented 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 the 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 policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion:

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

- Present fairly, in all material respects, the financial position of the Company as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matter

We draw attention to Note 2 to the accompanying financial statements. These financial statements are prepared in accordance with IFRS and not in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

For PKF Al Bassam & Al Nemer
Allied Accountants

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February 22, 2016
13 Jamadil Awal 1437H

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ترخيص رقم
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SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts expressed in Saudi Riyals unless otherwise stated)

		As at December 31,	
	Note	2015	2014
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	**373,227,369**	210,978,334
Premiums and insurance balances receivable - net	5,20	**112,800,451**	102,899,364
Reinsurers' share of unearned premiums	6	**118,439,083**	118,958,059
Reinsurers' share of outstanding claims	7	**176,953,817**	239,779,778
Deferred policy acquisition costs	8	**22,812,919**	15,538,816
Due from shareholders' operations		**1,250,230**	1,236,951
Prepaid expenses and other assets	9	**33,629,989**	10,396,711
Accrued commission income		**-**	74,063
Property and equipment	10	**4,826,676**	3,862,752
Intangible asset		**-**	1,710,558
TOTAL INSURANCE OPERATIONS' ASSETS		**843,940,534**	705,435,386
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	**213,979,283**	83,099,953
Prepaid expenses and other assets	9	**-**	1,139,024
Accrued commission income		**1,885,163**	1,081,279
Available-for-sale investments	11	**84,725,686**	79,284,833
Statutory deposit	12	**40,000,000**	20,000,000
TOTAL SHAREHOLDERS' ASSETS		**340,590,132**	184,605,089
TOTAL ASSETS		**1,184,530,666**	890,040,475

(Continued)

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Chief Financial Officer   Chief Executive Officer   Director

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION *(Continued)*
(All amounts expressed in Saudi Riyals unless otherwise stated)

		As at December 31,	
	Note	2015	2014
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Liabilities arising from insurance contracts:			
Unearned premiums	6	**349,482,711**	259,319,357
Outstanding claims	7	**359,011,104**	331,793,394
Total liabilities arising from insurance contracts		**708,493,815**	591,112,751
Additional premium reserves	15	**36,857,733**	27,362,646
Other technical reserves	16	**5,554,502**	400,000
Accrued and other liabilities	13	**64,768,393**	47,046,865
Reinsurance balances payable		**10,015,562**	24,152,298
Unearned reinsurance commission	14	**10,279,353**	9,008,856
End-of-service indemnities	17	**5,823,730**	4,204,524
Total insurance operations' liabilities		**841,793,088**	703,287,940
Insurance operations' surplus		**2,147,446**	2,147,446
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		**843,940,534**	705,435,386
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities	13	**16,666,123**	14,980,095
Due to insurance operations		**1,250,230**	1,236,951
		17,916,353	16,217,046
Shareholders' equity			
Share capital	18	**400,000,000**	200,000,000
Share Premium		**30,107,690**	-
Fair value reserve		**(28,995,201)**	(13,438,245)
Accumulated losses		**(78,438,710)**	(18,173,712)
Total shareholders' equity		**322,673,779**	168,388,043
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**340,590,132**	184,605,089
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		**1,184,530,666**	890,040,475
CONTINGENCIES	27		

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Chief Financial Officer Chief Executive Officer Director

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF INSURANCE OPERATIONS AND SURPLUS
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2015	2014
REVENUES			
Gross premiums written	23,20	**752,993,202**	649,613,045
Reinsurance premiums ceded		**(213,645,813)**	(314,578,992)
Net premiums written	6	**539,347,389**	335,034,053
Changes in unearned premiums, net	6	**(90,682,330)**	(65,448,352)
Net premiums earned	6	**448,665,059**	269,585,701
Reinsurance commissions	14	**18,114,883**	19,247,111
Other underwriting income		**2,606,096**	653,420
Total revenues		**469,386,038**	289,486,232
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7	**382,415,280**	212,901,928
Reinsurers' share of claims paid	7	**(89,489,072)**	(35,743,480)
Net claims paid	7	**292,926,208**	177,158,448
Changes in outstanding claims, net	7	**90,043,671**	29,176,592
Net claims incurred	7	**382,969,879**	206,335,040
Additional premium reserves	15	**9,495,087**	14,385,118
Other technical reserves	16	**5,154,502**	(100,000)
Policy acquisition costs	8	**45,268,064**	36,003,583
Excess of loss expenses		**12,965,069**	9,374,353
Other underwriting expenses		**18,592,473**	10,587,649
Total underwriting costs and expenses		**474,445,074**	276,585,743
Net underwriting (loss) income		**(5,059,036)**	12,900,489
OTHER OPERATING EXPENSES, NET			
Operating and administrative salaries	20	**(34,794,611)**	(30,859,385)
General and administrative expenses	21	**(19,426,138)**	(18,043,251)
Commission income on bank deposits		**12,188**	86,672
Total other operating expenses, net		**(54,208,561)**	(48,815,964)
Net deficit from insurance operations		**(59,267,597)**	(35,915,475)
Shareholders' absorption of deficit		**59,267,597**	35,915,475
Net result from insurance operations after shareholders' absorption of deficit		**-**	-
Insurance operations' surplus, beginning of the year		**2,147,446**	2,147,446
Insurance operations' surplus, end of the year		**2,147,446**	2,147,446

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Chief Financial Officer　　Chief Executive Officer　　Director

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' INCOME
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2015	2014
Net deficit transferred from insurance operations		**(59,267,597)**	(35,915,475)
Commission income on bank deposits		**1,307,320**	626,372
Commission income on held-to-maturity investments		-	190,512
Dividends and realized fair value changes on available-for-sale investments	11	**2,319,645**	41,924,299
General and administrative expenses	21	**(624,370)**	(1,988,234)
Net (loss) income for the year		**(56,265,002)**	4,837,474
Basic and diluted (loss) earnings per share	26	**(1.65)**	0.19
Weighted average number of outstanding shares		**34,093,151**	26,000,000

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Director

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2015	2014
Net (loss) income for the year		**(56,265,002)**	4,837,474
Provision for zakat and income tax	22	**(3,999,996)**	(8,529,373)
Net loss for the year after zakat and income tax		**(60,264,998)**	(3,691,899)
Items that may subsequently be reclassified to the statement of shareholders' income:			
Unrealized fair value changes on available-for-sale investments, net	11	**(15,556,956)**	(34,696,599)
Total comprehensive loss for the year		**(75,821,954)**	(38,388,498)
Basic and diluted loss per share	26	**(2.22)**	(1.48)
Weighted average number of outstanding shares		**34,093,151**	26,000,000

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Director

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Share Premium	Fair value reserve	Accumulated losses	Total
Balance at January 1, 2014	200,000,000	-	21,258,354	(14,481,813)	206,776,541
Net income for the year	-	-	-	4,837,474	4,837,474
Provision for zakat and income tax	-	-	-	(8,529,373)	(8,529,373)
Unrealized fair value changes on available-for-sale investments, net	-	-	(34,696,599)	-	(34,696,599)
Balance at December 31, 2014	200,000,000	-	(13,438,245)	(18,173,712)	168,388,043
Balance at January 1, 2015	200,000,000	-	(13,438,245)	(18,173,712)	168,388,043
Additional capital introduced	**200,000,000**	-	-	-	**200,000,000**
Share Premium	-	**30,107,690**	-	-	**30,107,690**
Net loss for the year	-	-	-	**(56,265,002)**	**(56,265,002)**
Provision for zakat and income tax	-	-	-	**(3,999,996)**	**(3,999,996)**
Unrealized fair value changes on available-for-sale investments, net	-	-	**(15,556,956)**	-	**(15,556,956)**
Balance at December 31, 2015	**400,000,000**	**30,107,690**	**(28,995,201)**	**(78,438,710)**	**322,673,779**

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Director

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations		-	-
Adjustments for non-cash items:			
Depreciation	10	**2,141,739**	1,537,370
End-of-service indemnities, net		**1,619,206**	1,145,260
		3,760,945	2,682,630
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable, net		**(9,901,087)**	(23,790,465)
Reinsurers' share of unearned premiums		**518,976**	(61,518,152)
Reinsurers' share of outstanding claims		**62,825,961**	(134,656,788)
Deferred policy acquisition costs		**(7,274,103)**	(3,488,411)
Prepaid expenses and other assets		**(23,233,278)**	2,180,927
Due from shareholders' operations		**(13,279)**	(1,236,951)
Accrued commission income		**74,063**	(39,388)
Unearned premiums		**90,163,354**	126,966,504
Outstanding claims		**27,217,710**	163,333,380
Additional premium reserve		**9,495,087**	14,385,118
Other technical reserve		**5,154,052**	400,000
Accrued and other liabilities		**17,721,528**	17,762,887
Reinsurance balances payable		**(14,136,736)**	5,790,920
Unearned reinsurance commission		**1,270,947**	3,507,026
Due to shareholders' operation		-	(19,815,072)
Net cash generated from operating activities		**163,644,140**	92,464,165
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in property and equipment, net	10	**(1,395,105)**	(867,442)
		(1,395,105)	(867,442)
Net increase in cash and cash equivalents		**162,249,035**	91,596,723
Cash and cash equivalents, beginning of the year		**210,978,334**	119,381,611
Cash and cash equivalents, end of the year	4	**373,227,369**	210,978,334
Supplemental cash flow information:			
Non-cash investing activity:			
Reclassification of intangible asset		**(1,710,558)**	1,710,558

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Chief Financial Officer   Chief Executive Officer   Director

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income for the year		**(56,265,002)**	4,837,474
Adjustments for:			
Commission income on bank deposits		**(1,307,320)**	(626,372)
Commission income on held-to-maturity investments		**-**	(190,512)
Dividend and realized fair value changes on available-for-sale investments	11	**(2,319,645)**	(41,924,299)
		(59,891,967)	(37,903,709)
Changes in operating assets and liabilities:			
Due from insurance operations		**-**	1,236,951
Prepaid expenses and other assets		**1,139,024**	(1,139,024)
Due to insurance operations		**13,279**	19,815,072
Accrued and other liabilities		**(1,107,884)**	211,923
Cash used in operating activities		**(59,847,548)**	(17,778,787)
Zakat and income tax paid	22	**(1,206,084)**	(2,030,596)
Net cash used in operating activities		**(61,053,632)**	(19,809,383)
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term deposits		**-**	26,983,859
Proceeds from held-to-maturity investments	11	**-**	6,500,000
Purchase of available-for-sale investments	11	**(26,678,032)**	(91,661,000)
Proceeds from disposal of available-for-sale investments	11	**5,680,223**	32,121,266
Investment and commission income received		**2,823,081**	42,599,094
Net cash (used in) generated from investing activities		**(18,174,728)**	16,543,219
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of share capital		**200,000,000**	-
Share Premium, net		**30,107,690**	-
Statutory Deposit		**(20,000,000)**	-
Net cash generated from financing activities		**210,107,690**	-
Net change in cash and cash equivalents		**130,879,330**	(3,266,164)
Cash and cash equivalents, beginning of the year		**83,099,953**	86,366,117
Cash and cash equivalents, end of the year	4	**213,979,283**	83,099,953
Supplemental cash flow information:			
Non-cash operating activity:			
Zakat and income tax charged to shareholders' comprehensive income	22	**(3,999,996)**	(8,529,373)
Non-cash investing activity:			
Unrealized fair value changes on available-for-sale investments, net	11	**(15,556,956)**	(34,696,599)

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Chief Financial Officer   Chief Executive Officer   Director

(All amounts expressed in Saudi Riyals unless otherwise stated)

1. General information

The Saudi United Cooperative Insurance Company ("the Company") is a Saudi Joint Stock Company established in Al Khobar, Kingdom of Saudi Arabia and incorporated on 19 Jumada II 1428H corresponding to July 4, 2007 under Commercial Registration No. 2051034982.

The principal activities of the Company are to transact cooperative insurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies (the "Law") and it's implementing regulations in the Kingdom of Saudi Arabia. The Company was granted the license (number TMN/16/2008) to practice general and medical insurance and re-insurance business from the Saudi Arabian Monetary Agency (SAMA) on 28 Jumada II 1429 H corresponding to July 2, 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The Company has prepared the accompanying financial statements under the historical cost convention on the accrual basis of accounting, except for available-for-sale investments, which have been measured at fair value in the statement of financial position and shareholders' comprehensive operations, and in conformity with the International Financial Reporting Standards (IFRS). Accordingly, these financial statements are not intended to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia, i.e. in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

As required by the Law, the Company maintains separate accounts for insurance operations and shareholders' operations and presents the financial statements accordingly. The physical custody and title of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues 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 the management and board of directors of the Company.

As per the by-laws of the Company and the Implementing Regulations for Insurance Companies (the "Regulations"), the surplus arising from the insurance operations is distributed as follows:

Transfer to shareholders' operations	90%
Transfer to insurance operations' accumulated surplus	10%
	100%

If the insurance operations result in a deficit, the entire deficit is borne by the shareholders' operations.

2.2 New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The accounting policies used in the preparation of these financial statements are consistently applied for all years presented, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which are effective for periods beginning on or after January 1, 2015 but had no significant financial impact on the financial statements of the Company:

- Annual improvements 2012 and 2013, effective July 1, 2014. These annual improvements include changes to:
  - IFRS 1, 'First time adoptions of IFRSs';
  - IFRS 2, 'Share based payments',
  - IFRS 3, 'Business combinations',
  - IFRS 8, 'Operating segments',
  - IAS 16, 'Property, plant and equipment',
  - IAS 38, 'Intangible assets',
  - IAS 24, 'Related party disclosures',
  - IFRS 13, 'Fair value measurement', and
  - IAS 40, 'Investment property'.
- Amendments to IAS 19, 'Employee benefits' on defined benefit plans, effective July 1, 2014. This amendment clarifies the accounting for defined benefit plans, that require employees or third parties to contribute towards the cost of the benefits.

2. Summary of significant accounting policies (Continued)

2.2.1 Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2015 and have not been early adopted by the Company

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2016:

- IFRS 9, 'Financial instruments', effective January 1, 2018. This replaces IAS 39, 'financial instruments: Recognition and measurement';

- IFRS 15, 'Revenue from contracts with customers', effective January 1, 2017. It has established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations.

- IFRS 14, 'Regulatory deferral accounts', effective January 1, 2016. This is an interim standard on the accounting for certain balances that arise from rate regulated activities ('regulatory deferral accounts'). It is only applicable to those entities that apply IFRS 1 as first-time adopters of IFRS.

- Amendments to IFRS 11, 'Joint arrangements' regarding acquisition of an interest in a joint operation, effective January 1, 2016. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortization, effective January 1, 2016. This amendment clarifies the acceptable methods of depreciation and amortization.

- Amendment to IAS 27, 'Separate financial statements' regarding the equity method, effective January 1, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture, effective January 1, 2016. These amendments clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.

- Amendments to IFRS 9, 'Financial instruments' on hedge accounting, effective January 1, 2018.

- Amendments to IFRS 1, 'Presentation of financial statements' - Disclosure initiative. The amendments explore how financial statement disclosures can be improved. They provide clarifications on a number of issues, including materiality and disaggregation and sub-totals of line items specified in IAS 1.

- Annual improvements 2014, effective July 1, 2016. These annual improvements amend standards from the 2012- 2014 reporting cycle. It includes changes to:

  - IFRS 5,'Non-current assets held for sale and discontinued operations'
  - IFRS 7,'Financial instruments: Disclosures'
  - IAS 19,'Emplyee benefits', and
  - IAS 34,'Interim financial report

2.3 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions 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. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's financial statements present fairly, in all material respects, the financial position and results of operations. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2. Summary of significant accounting policies (Continued)

2.4 Product classification

2.4.1 Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2.4.2 Investment contracts

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable.

Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.5 Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has five reportable operating segments as follows:

- Medical insurance provides coverage for health insurance.
- Motor insurance provides coverage for vehicles' insurance.
- Property insurance provides coverage for property insurance.
- Engineering insurance provides coverage for engineering and contract works.
- Other insurance provides coverage for marine and other general insurance.

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 was to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Shareholders' income is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis.

2.6 Functional and presentation currency

The Company's books of account are maintained in Saudi Riyals which is also the functional currency of the Company. Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing on the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi riyals at rates prevailing on the reporting date. All differences are taken to the statements of insurance operations or to the statement of shareholders' operations as appropriate.

2. Summary of significant accounting policies (Continued)

2.7 Property and equipment

Property and equipment are initially recorded at cost and are subsequently stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of insurance operations and surplus during the financial period in which they are incurred. Depreciation is charged to the statement of insurance operations and surplus, using the straight-line method, to allocate costs of the related assets to their residual values over the estimated useful lives as follows:

	Years
Computer equipment	4
Furniture, fixture and office equipment	5
Vehicles	4

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of insurance operations and surplus.

The carrying values of furniture, fixtures and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair values less costs to sell and their value in use.

2.8 Intangible asset

Intangible assets mainly include computer software whether acquired or internally developed is capitalised on the basis of cost incurred to acquire and bring to use or develop the specific software. These costs are amortised over their estimated useful lives of four years using the straight line method. Impairment losses, if any, are deducted from the carrying amount of the intangible assets.

Amortisation on additions to intangibles is charged from the month in which an asset is available for use, while no amortisation is charged for the month in which the asset is disposed of. Cost associated with maintaining computer software programmes are recognised as an expense when incurred.

The assets' residual values, useful lives and method for amortisation are reviewed at each financial year end and adjusted if impact on amortisation is significant.

2.9 Financial assets

2.9.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables, available-for-sale investments and held-to-maturity investments. The classification is determined by management at initial recognition and depends on the purpose for which the financial asset were acquired or originated.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

b) Available-for-sale investments

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices and are designated as such at inception.

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

c) Held-to-maturity investments

Investments which have fixed or determined payments and the Company has the positive intention and ability to hold to maturity are classified under this category.

2.9.2 Recognition, measurement and de-recognition

Purchases and sale of available-for-sale investments are recognised on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value.

Changes in the fair value of available-for-sale investments are recognised in statements of shareholders' comprehensive operations and financial position for insurance operations.

Loans and receivable and Investments, held-to-maturity are carried at amortized costs less provision for impairment in value

Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of shareholders' income when the investment is derecognized or impaired.

Financial assets are de-recognised when the rights to receive cash flows from those assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statements of the insurance operations or shareholders' comprehensive operations as 'gains and losses from available-for-sale investments'. Commission on available-for-sale investments calculated using the effective interest method is recognised in the income statement as part of other income.

2.9.3 Determination of fair values

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of insurance operations and accumulated surplus and statement of shareholders income. Dividends on available-for-sale equity instruments are recognized in statement of insurance operations and accumulated surplus and statement of shareholders' income when the Company's right to receive payments is established. Both are included in the commission income line.

2.9.4 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of insurance operations and accumulated surplus.

(b) Available-for-sale investments

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss.

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from shareholders' equity and recognised in the statement of insurance / shareholders' operations. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of insurance / shareholders' operations.

2.10 Premiums receivable

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

2.11 Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables, if any, that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

At each reporting date, the Company assesses whether there is any indication that any reinsurance assets may be impaired. Where an indicator of impairment exists, the Company makes an estimate of the recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

2.12 Deferred policy acquisition costs

Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts is recognized as "Deferred policy acquisition costs". The deferred policy acquisition costs are subsequently amortised over the period of the insurance contracts.

2.13 Claims

Claims, comprising amounts payable to policyholders and third parties and related loss adjustment expenses, are charged to the statement of insurance operations and accumulated surplus as incurred. Claims comprise the estimated amounts payable in respect of claims reported to the Company and those not reported at the reporting date.

The Company generally estimates its claims based on previous experience. In addition, a provision based on management's judgment is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements for the following period is included in the statement of insurance operations for that period.

2.14 Salvage and subrogation reimbursement

Some insurance contracts permit the Company to sell (usually damaged) asset acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the outstanding claims liability. The allowance is the amount that can reasonably be recovered from the disposal of property.

2. Summary of significant accounting policies (Continued)

2.14 Salvage and subrogation reimbursement (Continued)

Subrogation reimbursements are also considered as an allowance in the measurement of the outstanding claims liability. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.15 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contracts 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 the 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.

2.16 Short-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition

2.17 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and short term deposits with an original maturity of less than three months at the date of acquisition. It also includes short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

2.18 Unearned reinsurance commission

Commission income on outwards reinsurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned. Amortisation is recorded in the statement of insurance operations and accumulated surplus.

2.19 Provisions

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

2.20 Accrued and other liabilities

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2.21 Payables

Payables are recognized initially at fair value and measured at amortized cost using effective interest rate method. Liabilities are recognized for amounts to be paid and services rendered, whether or not billed to the Company.

2.22 End-of-service indemnities

End-of-service indemnities required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of insurance operations and accumulated surplus. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the reporting date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2. Summary of significant accounting policies (Continued)

2.23 Zakat and income taxes

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of shareholders' comprehensive operations. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is computed on the Saudi shareholders' share of equity and / or net income using the basis defined under the regulations of DZIT. Income tax is computed on the foreign shareholders' share of net income for the year. Zakat and income tax are charged to retained earnings as these are liabilities of the shareholders. Zakat and income tax are charged in full to the retained earnings. Income tax charged to the retained earnings, in excess to the proportion of the Saudi shareholders' zakat per share, is recovered from the foreign shareholders and credited to retained earnings.

Deferred income tax, when applicable, on all major temporary differences between financial income and taxable income are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company withholds taxes on certain transactions with non-resident parties, including dividend payments to foreign shareholders, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Withholding taxes paid on behalf of non-resident parties, which are not recoverable from such parties, are expensed.

2.24 De-recognition of financial liabilities

Financial liabilities, insurance, reinsurance payable and other payables are derecognised when the obligation under the liability is discharged, cancelled or expired. When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of insurance operations.

2.25 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 surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

2.26 Revenue recognition

(a) Recognition of premium and commission revenue

Gross premiums and commissions are recognized with the commencement of the insurance risks. The portions of premiums and commission that will be earned in the future are reported as unearned premiums and commissions, respectively, and are deferred on a basis consistent with the term of the related policy coverage. Premiums earned on reinsurance assumed, if any, are recognised as revenue in the same manner as if the reinsurance premiums were considered to be gross premiums.

(b) Commission income

Commission income on time deposits and held-to-maturity investments is recognized on a time proportion basis using the effective interest rate method.

(c) Dividend income

Dividend income is recognized when the right to receive a dividend is established.

2. Summary of significant accounting policies (Continued)

2.27 Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

2.28 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 of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

2.29 Surplus from insurance operations

In accordance with the requirements of the Implementing Regulations for Co-operative Insurance (the Regulations) issued by SAMA, 90% of the net surplus from insurance operations is transferred to the statement of shareholders' income, while 10% of the net surplus is distributable to policyholders. Such surplus distributable to policyholders is disclosed under "Insurance operations' surplus".

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions that effect the reported amounts of assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

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 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 reporting date, for which the insured event has occurred prior to the reporting 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 and engineering claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Unexpired risk and other technical reserves

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (unexpired risk reserve) to meet the deficit.

The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable.

The movement in the unexpired risk and other technical reserves is recognised as an expense or income in the statement of insurance operations for the year.

3. Critical accounting estimates and judgments (Continued)

Impairment of premiums and insurance balances receivable

An estimate of the uncollectible amount of premium receivable, if any, is made when collection of the full amount of the receivables as per the original terms of the insurance policy is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due and Company's past experience.

Impairment of available-for-sale investments

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

4. Cash and cash equivalents

	2015	2014
Insurance operations		
Cash in hand	**67,000**	67,000
Cash at banks	**373,160,369**	210,911,334
	373,227,369	210,978,334

	2015	2014
Shareholders' operations		
Deposits at Banks	**213,979,283**	83,099,953

Deposits were placed with local banks with an original maturity of less than 3 months, from the date of placement and earned commission income at an average rate of 1.1% to 2% (2014: 0.75% to 0.9%)

5. Premiums and insurance balances receivable - net

	2015	2014
Premiums receivable	**130,768,288**	116,595,540
Insurance and reinsurance receivable	**1,593,456**	3,264,712
	132,361,744	119,860,252
Less: allowance for doubtful debts	**(19,561,293)**	(16,960,888)
	112,800,451	102,899,364

Movement in the allowance for doubtful debts is as follows:

	2015	2014
At January 1,	**16,960,888**	14,044,610
Provision for the year (Note 21)	**2,600,405**	2,916,278
At December 31,	**19,561,293**	16,960,888

The aging of receivable balances arising from premiums and insurance and reinsurance is as follows:

Premiums receivable

			Past due but not impaired		
	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2015	**112,220,364**	**68,090,745**	**21,138,500**	**17,537,480**	**5,453,639**
2014	101,437,657	64,159,588	18,920,213	14,079,004	4,278,852

(All amounts expressed in Saudi Riyals unless otherwise stated)

5. Premium and insurance balances receivable (Continued)

Insurance and reinsurance receivable

			Past due but not impaired		
	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2015	**580,087**	**59,016**	**54,855**	**148,109**	**318,107**
2014	1,461,707	259,592	379,390	140,128	682,597

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance companies both in Kingdom of Saudi Arabia and Europe. Insurance premiums and reinsurance balances receivable include Saudi Riyals 349,255 (December 31, 2014: Saudi Riyals 387,832) due in foreign currencies, mainly US dollars. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. No individual or company accounts for more than 21% of the premiums receivable as at December 31, 2015 (2014: 16.8%). In addition, the five largest customers account for 43% of the premiums receivable as at December 31, 2015 (2014: 44%).

Unimpaired receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured.

6. Unearned premiums

	Year ended December 31,	
	2015	**2014**
At January 1,		
Unearned premiums	**259,319,357**	132,352,853
Reinsurers' share of unearned premiums	**(118,958,059)**	(57,439,907)
	140,361,298	74,912,946
Net premiums written during the year	**539,347,389**	335,034,053
Net premiums earned during the year	**(448,665,059)**	(269,585,701)
Changes in unearned premiums, net	**90,682,330**	65,448,352
At December 31,		
Unearned premiums	**349,482,711**	259,319,357
Reinsurers' share of unearned premiums	**(118,439,083)**	(118,958,059)
	231,043,628	140,361,298

(All amounts expressed in Saudi Riyals unless otherwise stated)

7. Outstanding claims

	2015		
	Gross	Reinsurers' share	Net
Claims			
Balance, beginning of the year	**(331,793,394)**	**239,779,778**	**(92,013,616)**
Claims paid during the year	**382,415,280**	**(89,489,072)**	**292,926,208**
Balance, end of the year	**359,011,104**	**(176,953,817)**	**182,057,287**
Claims incurred during the year	**409,632,990**	**(26,663,111)**	**382,969,879**
Analysis of outstanding claims			
At December 31,			
Balance, beginning of the year	**(331,793,394)**	**239,779,778**	**(92,013,616)**
Reported claims	**203,744,311**	**(148,434,139)**	**55,310,172**
Claims incurred but not reported (IBNR)	**155,266,793**	**(28,519,678)**	**126,747,115**
Changes in outstanding claims	**27,217,710**	**62,825,961**	**90,043,671**

	2014		
	Gross	Reinsurers' share	Net
Claims			
Balance, beginning of the year	(167,960,014)	105,122,990	(62,837,024)
Claims paid during the year	212,901,928	(35,743,480)	177,158,448
Balance, end of the year	331,793,394	(239,779,778)	92,013,616
Claims incurred during the year	376,735,308	(170,400,268)	206,335,040
Analysis of outstanding claims			
At December 31,			
Balance, beginning of the year	(167,960,014)	105,122,990	(62,837,024)
Reported claims	274,664,930	(211,844,820)	62,820,110
Claims incurred but not reported (IBNR)	57,128,464	(27,934,958)	29,193,506
Changes in outstanding claims	163,833,380	(134,656,788)	29,176,592

8. Deferred policy acquisition costs

	2015	2014
At January 1,	**15,538,816**	12,050,405
Incurred during the year	**52,542,167**	39,491,994
Amortized during the year	**(45,268,064)**	(36,003,583)
At December 31,	**22,812,919**	15,538,816

(All amounts expressed in Saudi Riyals unless otherwise stated)

9. Prepaid expenses and other assets

a) Insurance operations

	2015	2014
Prepaid rent	1,121,316	871,403
Prepaid fees	2,198,892	1,580,431
Advances	9,057,668	2,538,458
Deposits	2,456,690	2,771,690
Other assets	2,634,729	2,634,729
Salvages and other recoveries	16,160,694	-
	33,629,989	10,396,711

b) Shareholders' operations

	2015	2014
Prepaid fees	-	1,139,024

10. Property and equipment

2015	Computer equipment	Furniture, fixture and office equipment	Vehicles	Total
Cost				
January 1, 2015	4,205,250	6,446,096	375,170	11,026,516
Additions	935,731	462,172	-	1,397,903
Transfer from Intangible Assets	1,710,558	-	-	1,710,558
Disposal	-	(11,000)	-	(11,000)
At December 31, 2015	6,851,539	6,897,268	375,170	14,123,977
Accumulated depreciation				
January 1, 2015	3,129,076	3,732,262	302,426	7,163,764
Charge for the year	1,137,851	951,536	52,352	2,141,739
Disposal	-	(8,202)	-	(8,202)
At December 31, 2015	4,266,927	4,675,596	354,778	9,297,301
Net book amount				
December 31, 2015	2,584,612	2,221,672	20,392	4,826,676

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. Property and equipment (Continued)

2014	Computer equipment	Furniture, fixture and office equipment	Vehicles	Total
Cost				
January 1, 2014	3,699,915	6,083,989	375,170	10,159,074
Additions	505,335	362,107	-	867,442
At December 31, 2014	4,205,250	6,446,096	375,170	11,026,516
Accumulated depreciation				
January 1, 2014	2,629,632	2,750,376	246,386	5,626,394
Charge for the year	499,444	981,886	56,040	1,537,370
At December 31, 2014	3,129,076	3,732,262	302,426	7,163,764
Net book amount				
December 31, 2014	1,076,174	2,713,834	72,744	3,862,752

11. Investments

Available-for-sale investments

Available-for-sale investments include the following:

	2015	2014
Quoted securities	**82,802,608**	77,361,755
Unquoted securities	**1,923,078**	1,923,078
	84,725,686	79,284,833

Movement in available-for-sale investments is as follows:

	2015	2014
At January 1,	**79,284,833**	54,441,698
Purchases	**26,678,032**	91,661,000
Disposals	**(5,680,223)**	(32,121,266)
Unrealized fair value changes	**(15,556,956)**	(34,696,599)
At December 31,	**84,725,686**	79,284,833

Gains realised on sale of available-for-sale investments during the year ended December 31, 2015 amounted to Saudi Riyals 2.3 million (2014: Saudi Riyals 41.9 million).

12. Statutory deposit

In accordance with the Regulations, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA. The company does not earn any special commission out of such deposit.

(All amounts expressed in Saudi Riyals unless otherwise stated)

13. Accrued and other liabilities

a) Insurance operations

	2015	2014
Accrued expenses	**3,894,394**	5,208,814
Provisions	**10,047,722**	5,962,621
Other payables	**50,826,277**	35,875,430
Accrued expenses	**64,768,393**	47,046,865

b) Shareholders' operations

	2015	2014
Accrued expenses	-	1,376,833
Zakat and income tax (note 22)	**15,315,895**	12,521,983
Other payables	**1,350,228**	1,081,279
	16,666,123	14,980,095

14. Unearned reinsurance commission

	2015	2014
At January 1	**9,008,856**	5,501,830
Commission received during the year	**19,385,380**	22,754,137
Commission earned during the year	**(18,114,883)**	(19,247,111)
At December 31	**10,279,353**	9,008,856

15. Additional Premium Reserves

	2015	2014
At January 1	**27,362,646**	12,977,528
Charged during the year	**9,495,087**	14,385,118
At December 31	**36,857,733**	27,362,646

16. Other Technical Reserves

	2015	2014
At January 1	**400,000**	500,000
Charged (reversed) during the year	**5,154,502**	(100,000)
At December 31	**5,554,502**	400,000

(All amounts expressed in Saudi Riyals unless otherwise stated)

17. End-of-service indemnities

	2015	2014
At January 1,	**4,204,524**	3,059,264
Charged during the year	**1,779,632**	1,472,700
Paid during the year	**(160,426)**	(327,440)
At December 31,	**5,823,730**	4,204,524

18. Share capital

The authorized, issued and paid up share capital of the Company is Saudi Riyal 400 million at the year end and consisting of 40 million shares of Saudi Riyal 10 each.

On April 23, 2014 (corresponding to 23 Jumada II 1435H), the Company received an approval from SAMA for increasing its ordinary share capital by SAR 200 million, by way of issuance of right shares to its existing shareholders. On March 2, 2015 the Company obtained the approval from the Capital Market Authority (CMA) to increase its share capital by way of rights issue valued at SR 200 million with share premium of SR 40 million. The shareholders approved rights issue of SR 200 million in the extra-ordinary general meeting held on 27 April 2015 corresponding to 8 Rajab 1436H. As approved by the regulators and shareholders, 20 million ordinary shares were offered at an exercise price of SR 12 per share, the subscription period for which started on 5 May 2015 and ended on 25 May 2015. The legal formalities have been completed and the share capital has been increased from SR 200 Million to SR 400 Million

19. Statutory reserve

In accordance with the Law, the Company is required to transfer not less than 20% of its annual net income, after adjusting accumulated losses, to a legal reserve until such reserve amounts to 100% of the paid-up share capital of the Company. No such transfer has been made during the year due to accumulated losses as at December 31, 2015 and 2014.

20. Related party transactions and balances

Related parties represent, major shareholders, directors and entities controlled, jointly or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

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

	Year ended December 31,	
	2015	**2014**
Gross premium received from directors and their related parties	**9,692,077**	7,559,072
Gross premium received from key management personnel	**14,188**	12,806

Compensation of key management personnel of the Company:

	2015	2014
Short-term benefits	**4,014,180**	3,687,704

(All amounts expressed in Saudi Riyals unless otherwise stated)

20. Related party transactions and balances(Continued)

Balances due (to) from related parties are comprised of the following:

	Year ended December 31, 2015	2014
Premiums receivable from key management personnel, directors and their related parties	**677,790**	-
Claims payable to directors and related parties	**(8,322,769)**	(2,369,413)

Outstanding balances at year end, with related parties, are unsecured and settlement occurs as per payment terms. There have been no guarantees provided or received for any related party receivables.

21. General and administrative expenses

a) Insurance operations

	Year ended December 31, 2015	2014
Provision for doubtful debts (Note 5)	**2,600,405**	2,916,278
Legal, regulatory and professional fees	**5,280,631**	4,560,656
Rent	**3,759,958**	3,374,062
Depreciation	**2,141,739**	1,537,370
Office supplies	**1,056,838**	690,354
Utilities	**1,663,502**	1,315,494
Marketing, advertising and promotion	**268,854**	640,273
Withholding tax	**690,268**	1,113,775
Training and education	**178,184**	334,627
Information technology	**105,497**	312,982
Other expenses	**1,680,262**	1,247,380
	19,426,138	18,043,251

b) Shareholders' operations

	Year ended December 31, 2015	2014
Employee related costs	**624,370**	1,200,000
Board members' fee	-	773,234
Other expenses	-	15,000
	624,370	1,988,234

22. Zakat and income tax matters

(i) Provision for zakat and income tax

Provision for zakat has been made at 2.5% of the higher of approximate zakat base and adjusted net income attributable to the Saudi shareholders of the Company.

Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

(All amounts expressed in Saudi Riyals unless otherwise stated)

22. Zakat and income tax matters (Continued)

(ii) Components of zakat base

The principal elements of approximate zakat base are as follows:

	2015	2014
Shareholders' equity	**151,339,292**	137,743,405
Non-current liabilities	**-**	18,709,119
Non-current assets	**(20,585,347)**	(6,709,267)
Approximate zakat base	**130,753,945**	149,743,257

(iii) Movements in provision for zakat and income tax

Movements in provision for zakat and income tax as at December 31, 2015 and 2014 are as follows:

2015	Zakat	Income tax	Total
At January 1,	**12,320,946**	**201,037**	**12,521,983**
Payments	**(983,884)**	**(222,200)**	**(1,206,084)**
Provision for the year	**3,999,996**	**-**	**3,999,996**
At December 31,	**15,337,058**	**(21,163)**	**15,315,895**

2014	Zakat	Income tax	Total
At January 1,	5,792,604	230,602	6,023,206
Payments	(2,001,031)	(29,565)	(2,030,596)
Provision for the year	8,529,373	-	8,529,373
At December 31,	12,320,946	201,037	12,521,983

Deferred income taxes arising out of the temporary differences were not significant and, accordingly, were not recorded as of December 31, 2015 and 2014.

(iv) Status of zakat and income tax assessments

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2014 and obtained the required certificate from the DZIT.

23. Segmental reporting

For management purposes, the Company is organized into business segments classified as: Medical, Motor, property, engineering and others. Others include marine and other general insurance. These segments are the basis on which the Company reports its primary segment information.

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

- Segment assets do not include cash and cash equivalents, premiums and insurance balances receivable - net, due from shareholders' operations, prepaid expenses and other assets, accrued commission income, property and equipment and intangible asset;

- Segment liabilities and surplus do not include accrued and other liabilities, reinsurance balances payable, end-of-service indemnities and insurance operations' surplus; and

- Operating segments do not include shareholders' operations.

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Segmental reporting (Continued)

- Segment results do not include operating and administrative salaries and general and administrative expenses. These have been presented under unallocated expenses.

Insurance operations for the year ended December 31, 2015:

2015	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	68,813,083	421,246,613	122,505,567	76,806,804	63,621,135	752,993,202
Net premiums written	68,813,083	419,936,897	6,427,434	5,760,000	38,409,975	539,347,389
Net premiums earned	53,909,634	347,661,956	6,417,604	4,900,099	35,775,766	448,665,059
Reinsurance commission	-	261,944	9,843,596	6,581,008	1,428,335	18,114,883
Other underwriting income	-	2,527,033	10,390	6,770	61,903	2,606,096
Net claims incurred	(25,536,204)	(331,915,206)	(4,676,988)	(2,847,879)	(17,993,602)	(382,969,879)
Additional Premium Reserves	-	(9,495,087)	-	-	-	(9,495,087)
Other technical Reserves	(1,087,100)	(1,106,504)	(2,239,870)	(721,028)	-	(5,154,502)
Other underwriting expenses	(10,735,076)	(50,085,328)	(5,387,398)	(4,052,037)	(6,565,767)	(76,825,606)
Unallocated expenses						(54,220,749)
Deficit from insurance operations						(59,279,785)
Commission income on bank deposits						12,188
Net deficit from insurance operations						(59,267,597)

Insurance operations' financial position as of December 31, 2015:

2015	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	53,037,306	52,141,226	13,260,551	118,439,083
Reinsurers' share of outstanding claims	-	462,062	134,304,790	39,261,670	2,925,295	176,953,817
Deferred policy acquisition costs	2,837,629	13,775,437	1,724,584	2,445,082	2,030,187	22,812,919
Unallocated assets						525,734,715
Total insurance operations' assets						843,940,534
Insurance operations' liabilities and surplus						
Unearned premiums	38,065,218	175,882,354	54,798,658	55,376,593	25,359,888	349,482,711
Outstanding claims	13,480,728	141,660,409	141,899,476	43,630,026	18,340,465	359,011,104
Additional premium reserves	-	34,418,701	-	2,439,032	-	36,857,733
Other technical reserves	1,087,100	1,106,504	2,639,870	721,028	-	5,554,502
Unearned reinsurance commission	-	-	3,622,831	5,704,513	952,009	10,279,353
Unallocated liabilities and surplus						82,755,131
Total insurance operations' liabilities and surplus						843,940,534

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Segmental reporting (Continued)

Insurance operations for the year ended December 31, 2014:

2014	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	47,254,807	240,485,615	186,440,120	115,434,171	59,998,332	649,613,045
Net premiums written	47,254,807	239,121,755	7,459,068	5,935,935	35,262,488	335,034,053
Net premiums earned	48,413,295	176,977,039	6,812,181	4,395,357	32,987,829	269,585,701
Reinsurance commission	219,998	272,786	10,848,263	6,727,096	1,178,968	19,247,111
Other underwriting income	-	567,240	10,859	7,260	68,061	653,420
Net claims incurred	(25,291,251)	(159,601,342)	(4,883,889)	(3,328,930)	(13,229,628)	(206,335,040)
Additional premium reserves	-	(12,404,471)	-	(1,980,647)	-	(14,385,118)
Other technical reserves	-	-	100,000	-	-	100,000
Other underwriting expenses	(11,290,220)	(28,816,124)	(6,292,955)	(3,076,157)	(6,490,129)	(55,965,585)
Unallocated expenses						(48,902,636)
Deficit from insurance operations						(36,002,147)
Commission income on bank deposits						86,672
Net surplus from insurance operations						(35,915,475)

Insurance operations' financial position as of December 31, 2014:

2014	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	57,078,073	48,411,286	13,468,700	118,958,059
Reinsurers' share of outstanding claims	332,258	1,172,087	194,162,616	40,560,451	3,552,366	239,779,778
Deferred policy acquisition costs	1,574,460	8,897,799	1,229,304	1,876,688	1,960,565	15,538,816
Unallocated assets						331,158,733
Total insurance operations' assets						705,435,386
Insurance operations' liabilities and surplus						
Unearned premiums	23,161,769	103,605,279	58,829,595	50,786,752	22,935,962	259,319,357
Outstanding claims	8,655,970	62,085,216	200,762,771	44,264,009	16,025,428	331,793,394
Additional premium reserves	-	25,356,258	-	1,980,647	25,741	27,362,646
Other technical reserves	-	-	400,000	-	-	400,000
Unearned reinsurance commission	-	-	3,523,660	4,949,834	535,362	9,008,856
Unallocated liabilities						77,551,133
Total insurance operations' liabilities and surplus						705,435,386

Geographical segments

All of the significant assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for some of the premium receivables and reinsurance assets/ liabilities which are held outside the Kingdom of Saudi Arabia.

24. Risk management

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board of Directors of the Company. The Company is exposed to insurance, reinsurance, regulatory framework, credit, liquidity, foreign currency, commission rate, and market risks.

Risk management structure

Board of Directors

The apex of risk governance is the centralised oversight of Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Audit Committee and Internal Audit Department

Risk management processes throughout the Company are audited annually by the Internal Audit Department which examines both the adequacy of the procedure and the Company's compliance with such procedures. The Internal Audit Department discusses the results of all assessments with senior management, and reports its findings and recommendations directly to the Audit Committee.

Risk Management Committee

The Audit Committee of the Company has constituted a risk management committee which oversees the risk management function of the Company and report to Audit Committee on periodic basis. This Committee operates under framework established by the Board of Directors.

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 primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The risks faced by the Company and the manner in which these risks are mitigated by management are summarized below:

Insurance risk management

The principal risk the Company faces under insurance contracts is that the actual claim payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, structured claims management, quarterly review of reserves as well as the use of reinsurance arrangements.

Medical

Medical insurance is designed to compensate contract holders for expenses incurred in the treatment of a disease, illness or injury.

For medical insurance, the main risks are illness and related healthcare costs. Medical insurance is generally offered to corporate customers with large population to be covered under the policy.

24. Risk management (Continued)

Motor

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. Substantially all of the motor contracts relate to corporate customers. The Company has reinsurance cover to limit losses for any individual claim up to Saudi Riyal 1 million.

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to, motor vehicles are the key factors that influence the level of claims.

Property

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property insurance contracts, the main risks are fire and business interruption. The Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such exposure to limit losses for any individual claim up to Saudi Riyal 2.5 million.

Casualty

Casualty insurance primarily consists of risks taken for money, fidelity, workmen compensation, general public liability, engineering, etc. and is designed to compensate contract holders for damage suffered to them or others, arising through accidents, thefts, etc. Substantially all of the casualty contracts relate to corporate customers.

The Company has reinsurance cover to limit losses for any individual claim up to Saudi Riyal 1 million.

Marine cargo

Marine cargo insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim up to Saudi Riyal 1 million.

Insurance claims reserving

Actuarial claims reserving is conducted by in house actuary in the various lines of insurance business according to the Insurance Reserving policy. The Executive Team monitors and maintains the Insurance Reserving policy, and conducts quarterly reviews of the Company's insurance claims provisions, and their adequacy. The reviews include peer reviews of own conclusions as well as independent analysis to confirm the reasonableness of the in house actuarial reviews. The Company also has periodic external reviews by local consultant actuaries.

Reinsurance risk

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business risks allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Significant reinsurance purchases are reviewed annually by Executive Team to verify that the levels of protection being bought reflect any developments in exposure and the risk appetite of the Company. Reinsurance purchases must be in line with the strategy set out in our Company's Reinsurance policy manual approved by the Board of directors.

To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The reinsurance is placed with providers who meet the Company's counterparty security requirements and deals with reinsurers approved by the board of directors.

The largest five reinsurers account for 81% of the maximum credit exposure at December 31, 2015 (2014: 73%).

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly motor, medical and others which include marine, engineering, fire, casualty risks. These are regarded as short-term insurance contracts as claims are normally reported and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Concentration of insurance risk

The Company does not have insurance contract covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation. The Company does not have any material claims where the amount and timing of payment is not resolved within one year of the reporting date.

The Company monitors concentration of insurance risks primarily by class of business. The table below sets out the concentration of the outstanding claims and unearned premiums (in percentage terms) by class of business at balance sheet date:

	2015			
	Gross outstanding claims	**Net outstanding claims**	**Gross unearned premiums**	**Net unearned premiums**
Medical	**3%**	**7%**	**11%**	**16%**
Motor	**39%**	**77%**	**50%**	**76%**
Property	**40%**	**4%**	**16%**	**1%**
Engineering	**12%**	**2%**	**16%**	**2%**
Other	**6%**	**10%**	**7%**	**5%**
	100%	**100%**	**100%**	**100%**

	2014			
	Gross outstanding claims	**Net outstanding claims**	**Gross unearned premiums**	**Net unearned premiums**
Medical	3%	9%	9%	16%
Motor	19%	66%	40%	74%
Property	60%	7%	23%	1%
Engineering	13%	4%	19%	2%
Other	5%	14%	9%	7%
	100%	100%	100%	100%

The Company evaluates the concentration of exposures to individual and cumulative insurance risks and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Sources of uncertainty in estimation of future claim payments

The key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under notes 3 and 7.

Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The impact on the shareholders' income before zakat and income tax and shareholders' equity of the changes in the claim liabilities net of reinsurance is analysed below. The sensitivity to changes in claim liabilities net of reinsurance is determined separately for each class of business while keeping all other assumptions constant.

	Shareholders' net income		Shareholders' equity	
	2015	**2014**	**2015**	**2014**
Impact of change in claim liabilities by +10				
Medical	**(1,239,363)**	(832,371)	**(1,185,606)**	(796,267)
Motor	**(14,014,152)**	(6,091,313)	**(13,406,288)**	(5,827,102)
Property	**(759,469)**	(660,016)	**(726,527)**	(631,388)
Engineering	**(436,836)**	(370,356)	**(417,888)**	(354,292)
Other	**(1,755,910)**	(1,247,306)	**(1,679,747)**	(1,193,204)
	(18,205,730)	(9,201,362)	**(17,416,056)**	(8,802,253)

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Sensitivity analysis (Continued)

	Shareholders' net income		Shareholders' equity	
	2015	**2014**	**2015**	**2014**
Impact of change in claim liabilities by +10				
Medical	**(1,239,363)**	(832,371)	**(1,185,606)**	(796,267)
Motor	**(14,014,152)**	(6,091,313)	**(13,406,288)**	(5,827,102)
Property	**(759,469)**	(660,016)	**(726,527)**	(631,388)
Engineering	**(436,836)**	(370,356)	**(417,888)**	(354,292)
Other	**(1,755,910)**	(1,247,306)	**(1,679,747)**	(1,193,204)
	(18,205,730)	(9,201,362)	**(17,416,056)**	(8,802,253)

Claims development table

The following reflects the cumulative incurred claims, including both claims notified and incurred but not reported for each successive accident year at each financial position date, together with the cumulative payments to date. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of the claims.

The Company maintains adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Accident year	**Reserves for prior accident years**	**2011**	**2012**	**2013**	**2014**	**2015**
Estimate of ultimate claims cost:						
At the end of accident year	-	252,342,964	235,267,904	339,318,612	615,002,331	854,871,367
One year later	-	245,339,242	217,882,166	327,605,644	601,860,570	-
Two year later	-	243,853,311	210,001,301	303,317,639	-	-
Three year later		244,548,215	211,104,036	-	-	-
Four years later		249,347,638	-			
Reserve in respect to prior years	249,656,450	-	-	-	-	-
Current estimate of cumulative claims	249,656,450	249,347,638	211,104,036	303,317,639	601,860,570	854,871,367
Cumulative payments to date	(248,582,290)	(238,936,073)	(207,403,395)	(268,979,342)	(475,305,637)	(495,860,263)
Liability recognized in statement of financial position	1,074,160	10,411,565	3,700,641	34,338,297	126,554,933	359,011,104

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 insurance companies and to enable them to meet unforeseen liabilities as these arise.

Financial risk

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, cash and cash equivalents and advances for investments. The Company does not enter into derivative transactions.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Financial risk (Continued)

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, market price risk, commission rate risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

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 credit risk exposure to the Company is the carrying value of these financial assets as disclosed in the statement of financial position.

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. Premiums receivable comprise a large number of brokers/customers mainly within Saudi Arabia of which the five largest brokers/customers account for 43% of the receivables as at December 31, 2015 (2014: 44%).

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. 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's bank balances are maintained with a range of international and local banks in accordance with limits set by the board of directors. The Company maintains its bank balances, short term and long term investments with banks and other which have investment grade credit ratings.

Maximum exposure to credit risk

The Company's maximum exposure to credit risk on its financial assets at December 31, 2015 is Saudi Riyals 1,053 million (December 31, 2014: Saudi Riyals 762 million).

The table below shows the components of the statement of financial position of the Company at December 31, 2015 and 2014 exposed to credit risk:

	2015	2014
Insurance operations' assets		
Cash and cash equivalents	**373,227,369**	210,978,334
Premiums and insurance balances receivable	**132,361,744**	119,860,252
Reinsurers' share of outstanding claims	**176,953,817**	239,779,778
Accrued commission income	**-**	74,063
Other assets	**30,309,781**	7,944,877
	712,852,711	578,637,304
Shareholders' assets		
Cash and cash equivalents	**-**	83,099,953
Short-term deposits	**213,979,283**	-
Accrued commission income	**1,885,163**	1,081,279
Available-for-sale investments	**84,725,686**	79,284,833
Statutory deposit	**40,000,000**	20,000,000
	340,590,132	183,466,065
Total	**1,053,442,843**	762,103,369

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the highest possible rating. Assets falling outside the range of investment grade are classified as non-investment grade (satisfactory) or past due but not impaired.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Credit risk (Continued)

Insurance operations' financial assets as at December 31, 2015

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	373,160,369	67,000	-	373,227,369
Premiums and insurance balances receivable	-	68,149,763	64,211,981	132,361,744
Reinsurers' share of outstanding claims	-	176,953,817	-	176,953,817
Other assets	-	30,309,781	-	30,309,781
	373,160,369	275,480,361	64,211,981	712,852,711

Insurance operations' financial assets as at December 31, 2014

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	210,911,334	67,000	-	210,978,334
Premiums and insurance balances receivable	-	64,419,180	55,441,072	119,860,252
Reinsurers' share of outstanding claims	-	239,779,778	-	239,779,778
Accrued commission income	-	74,063	-	74,063
Other assets	-	7,944,877	-	7,944,877
	210,911,334	312,284,898	55,441,072	578,637,304

Shareholders' financial assets as at December 31, 2015

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	213,979,283	-	-	213,979,283
Accrued commission income	1,885,163	-	-	1,885,163
Available-for-sale investments	82,802,608	1,923,078	-	84,725,686
Statutory deposit	40,000,000	-	-	40,000,000
	338,667,054	1,923,078	-	340,590,132

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Credit risk (Continued)

Shareholders' financial assets as at December 31, 2014

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	83,099,953	-	-	83,099,953
Accrued commission income	1,081,279	-	-	1,081,279
Available-for-sale investments	77,361,755	1,923,078	-	79,284,833
Statutory deposit	20,000,000	-	-	20,000,000
	181,542,987	1,923,078	-	183,466,065

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

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

The deposits held by the Company at the reporting date had original maturity periods not exceeding six months; furthermore, the commitments (in the ordinary course of the business) at the period end are not material.

All financial liabilities are contractually payable within a year's time and are not commission bearing.

The table below summarizes the maturities of the Company's undiscounted contractual obligations at December 31, 2015 and 2014. As the Company does not have any commission bearing liabilities, the amounts in the table match the amounts in the statement of financial position:

As at December 31, 2015

	Less than 12 months	**More than 12 months**	**Total**
Insurance operations' financial liabilities			
Outstanding claims	**359,011,104**	**-**	**359,011,104**
Accrued expenses and other liabilities	**63,459,372**	**-**	**63,459,372**
Reinsurance balances payables	**10,015,562**	**-**	**10,015,562**
End-of-service indemnities	**-**	**5,823,730**	**5,823,730**
Total insurance operations' financial liabilities	**432,486,038**	**5,823,730**	**438,309,768**
Shareholders' financial liabilities			
Accrued expenses and other liabilities	**1,350,228**	**-**	**1,350,228**
Total shareholders' financial liabilities	**1,350,228**	**-**	**1,350,228**

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Liquidity risk (Continued)

As at December 31, 2014

	Less than 12 months	More than 12 months	Total
Insurance operations' financial liabilities			
Outstanding claims	331,793,394	-	331,793,394
Accrued expenses and other liabilities	45,509,921	-	45,509,921
Reinsurance balances payable	24,152,298	-	24,152,298
End-of-service indemnities	-	4,204,524	4,204,524
Total insurance operations' financial liabilities	401,455,613	4,204,524	405,660,137
Shareholders' financial liabilities			
Accrued expenses and other liabilities	2,458,112	-	2,458,112
Total shareholders' financial liabilities	2,458,112	-	2,458,112

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

Maturity profiles

The table below summarises the maturity profile of the financial assets and liabilities of the Company based on remaining expected undiscounted contractual obligations:

As at December 31, 2015

	Up to one year	**More than one year**	**Total**
Insurance operations' financial assets			
Cash and cash equivalents	**373,227,369**	**-**	**373,227,369**
Premiums and insurance balances receivable	**132,361,744**	**-**	**132,361,744**
Reinsurers' share of outstanding claims	**176,953,817**	**-**	**176,953,817**
Other assets	**30,309,781**	**-**	**30,309,781**
Total insurance operations' financial assets	**712,852,711**	**-**	**712,852,711**
Insurance operations' financial liabilities			
Outstanding claims	**359,011,104**	**-**	**359,011,104**
Accrued expenses and other liabilities	**63,459,372**	**-**	**63,459,372**
Reinsurance balances payables	**10,015,562**	**-**	**10,015,562**
End-of-service indemnities	**-**	**5,823,730**	**5,823,730**
Total insurance operations' financial liabilities	**432,486,038**	**5,823,730**	**438,309,768**

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Maturity profiles (Continued)

As at December 31, 2014

	Up to one year	More than one year	Total
Insurance operations' financial assets			
Cash and cash equivalents	210,978,334	-	210,978,334
Premiums and insurance balances receivable	119,860,252	-	119,860,252
Reinsurers' share of outstanding claims	239,779,778	-	239,779,778
Accrued commission income	74,063	-	74,063
Other assets	7,944,877	-	7,944,877
Total insurance operations' financial assets	578,637,304	-	578,637,304
Insurance operations' financial liabilities			
Outstanding claims	331,793,394	-	331,793,394
Accrued expenses and other liabilities	45,509,921	-	45,509,921
Reinsurance balances payable	24,152,298	-	24,152,298
End-of-service indemnities	-	4,204,524	4,204,524
Total insurance operations' financial liabilities	401,455,613	4,204,524	405,660,137

As at December 31, 2015

	Up to one year	**More than one year**	**Total**
Shareholders' financial assets			
Cash and cash equivalents	**213,979,283**		**213,979,283**
Accrued commission income	**1,885,163**	-	**1,885,163**
Available-for-sale investments	**84,725,686**	-	**84,725,686**
Statutory deposit	**40,000,000**	-	**40,000,000**
Total shareholders' financial assets	**340,590,132**	-	**340,590,132**
Shareholders' financial liabilities			
Accrued expenses and other liabilities	**1,350,228**	-	**1,350,228**
Total shareholders' financial liabilities	**1,350,228**	-	**1,350,228**

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Maturity profiles (Continued)

As at December 31, 2014

	Up to one year	More than one year	Total
Shareholders' financial assets			
Cash and cash equivalents	83,099,953	-	83,099,953
Accrued commission income	1,081,279	-	1,081,279
Available-for-sale investments	79,284,833	-	79,284,833
Statutory deposit	20,000,000	-	20,000,000
Total shareholders' financial assets	183,466,065	-	183,466,065
Shareholders' financial liabilities			
Accrued expenses and other liabilities	2,458,112	-	2,458,112
Total shareholders' financial liabilities	2,458,112	-	2,458,112

Currency risk

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

The Company's exposure to foreign currency risk is limited to United States Dollars which is pegged against Saudi Riyals. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company has an unquoted equity investment carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired and then the income statement will be impacted.

The Company's equity investments as at December 31, 2015 amounting to SR 82.8 million (2014: Saudi Riyals 77.4 million) are susceptible to market price risk arising from uncertainty about the future value of investment securities. The Company limits market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity and money markets.

The impact of a hypothetical change of a 10% increase and 10% decrease in the market prices of investments on Company's profits and equity would be as follows:

	Fair value	Price change	Estimated fair value	Effect on income from operations	Effect of shareholders' equity
December 31, 2015	**82,802,608**	**10% increase**	**91,082,869**	**8,280,261**	**7,921,105**
		10% decrease	**(91,082,869)**	**(8,280,261)**	**(7,921,105)**
December 31, 2014	77,361,755	10% increase	85,097,931	7,736,176	7,542,771
		10% decrease	(85,097,931)	(7,736,176)	(7,542,771)

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Risk management (Continued)

Capital risk management

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements as set out in the Law. The Company's current paid-up share capital is in accordance with Article 3 of the Law;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

As per Article 66 of the Regulations, the Company shall maintain solvency margin equivalent to the highest of the following three methods:

- Minimum capital requirement of Saudi Riyals 200 million
- Premium solvency margin
- Claims solvency margin

The Company's solvency margin at December 31, 2015 is 129% (2014: 50%) of the required margin of solvency.

Seasonality of operations

There are no seasonal changes that affect insurance operations.

25. 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.

Categories of financial instruments

a) Insurance operations

	2015	2014
Financial assets		
Cash and cash equivalents	**373,227,369**	210,978,334
Premiums and insurance balances receivable	**132,361,744**	119,860,252
Reinsurers' share of outstanding claims	**176,953,817**	239,779,778
Accrued commission income	**-**	74,063
Other assets	**30,309,781**	7,944,877
	712,852,711	578,637,304
Financial liabilities		
Outstanding claims	**359,011,104**	331,793,394
Accrued expenses and other liabilities	**63,459,372**	45,509,921
Reinsurance balances payable	**10,015,562**	24,152,298
End-of-service indemnities	**5,823,730**	4,204,524
	438,309,768	405,660,137

(All amounts expressed in Saudi Riyals unless otherwise stated)

25. Fair values of financial instruments(Continued)

b) Shareholders' operations

	2015	2014
Financial assets		
Cash and cash equivalents	**213,979,283**	83,099,953
Accrued commission income	**1,885,163**	1,081,279
Available-for-sale investments	**84,725,686**	79,284,833
Held-to-maturity investments	-	-
Statutory deposit	**40,000,000**	20,000,000
	340,590,132	183,466,065
Financial liabilities		
Accrued expenses and other liabilities	**1,350,228**	2,458,112
	1,350,228	2,458,112

Financial instruments comprise of financial assets and financial liabilities as have been defined above.

The fair values of financial instruments are carried at cost, are not materially different from their carrying values. The Company uses the following hierarchy for determining and disclosing the fair values of available for sale investments as well as advances by a valuation technique

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The table below presents the financial instruments at their fair values as at December 31, 2015 and 2014 based on the fair value hierarchy:

As at December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial instruments				
Available-for-sale investments				
Equity securities	**82,802,608**	-	**1,923,078**	**84,725,686**
Total	**82,802,608**	-	**1,923,078**	**84,725,686**

As at December 31, 2014	Level 1	Level 2	Level 3	Total fair value
Financial instruments				
Available-for-sale investments				
Equity securities	77,361,755	-	1,923,078	79,284,833
Total	77,361,755	-	1,923,078	79,284,833

During the year, there were no transfers into or out of level 3.

26. (Loss) earnings per share

Basic and diluted (loss) earnings per share from shareholders' income is calculated by dividing net (loss) income for the year by weighted average number of ordinary shares outstanding during the year.

Basic and diluted earnings per share from shareholders' comprehensive income is calculated by dividing net (loss) income for the year after zakat and income tax by weighted average number of ordinary shares outstanding during the year.

27. Contingencies

The Company, in common with significant majority of insurers, is subject to litigation in the normal course of its business. The Company's management, based on independent legal advice, believes that the outcome of court cases will not have a material impact on the Company's income or financial condition.

28. Comparative figures

At December 31, 2015, the Company has reclassified unexpired risk reserve, premium deficiency reserve and other technical reserves from unearned premiums and outstanding claims respectively and have presented these as a separate line items in the statement of financial position, under insurance operations' liabilities. The 2014 Comparative amounts in the statement of financial position have been reclassified for consistency.

In the statement of insurance operations, the unexpired risk reserve, premium deficiency reserve and other technical reserves have been reclassified from the changes in unearned premiums and changes in outstanding claims respectively. There is no impact on the reported deficit from insurance operations for the comparative year ended December 31, 2014 consequent to the aforementioned reclassifications.

29. Approval of the financial statements

The financial statements have been approved by the Board of Directors on February 15, 2016 corresponding to 6 Jamadil Awal 1437H.