Saudi United Cooperative Insurance Co.

Al-Khobar

Report of the Board of Directors

for the year ended

31 December 2014

Table of Contents

Message from the Chairman of the Board of Directors

Dear Shareholders,

Let me at the outset take this opportunity to extend our heartfelt condolences to the Royal family of Saudi Arabia on the sad demise of the Custodian of the Two Holy Mosques King Abdulla bin Abdulaziz Al-Saud – King of the Kingdom of Saudi Arabia. We also like to wish his successor King Salman bin Abdulaziz Al-Saud great success as he leads the Kingdom towards an era of stability, progress and prosperity.

I am pleased to present the report of the Board of Directors of your Company for the year 2014. The Company has been successful in reporting a modest surplus of SR 4.8m for the year under review compared to SR 24.6m for 2013. The report submitted by the CEO of the Company provides more details of the operational aspects of your Company's performance which is now in its seventh-year of growth.

At a time when global oil prices have come under intense pressure, the Kingdom as the leading producer in the world, has withstood the situation commendably. In fact, it is quite heartening to note after witnessing an unprecedented down-turn of equity prices on Tadawul during Q4/2014, the market has shown a positive turn during early part of 2015. The market leaders and industry experts are confident that the resilience of the market will only tend to get strengthened as we progress.

The working of the Saudi insurance industry has also been under very close scrutiny of regulators who are working to implement guidelines and standards for the betterment of this sector and bring in greater transparency and reliability. Having a sound capital structure is a fundamental requirement for success of the industry. In this direction, it is very encouraging to note that the Regulator has cleared way for increase in capital for several applicants including Wala'a. During early part of 2014, the Board and executive managerial team had a very fruitful meeting with the Regulator that paved way for securing primary approval for the Rights Issue. Currently, after series of discussions and interactions with concerned Regulators, your Company is in an advanced stage of obtaining approval to complete the Rights Issue – at the end of which the Company's paid-up capital shall reach SR 400m. The management team has already put in place necessary arrangements to successfully complete this major milestone in the annals of the Company's progress.

The year 2014 also witnessed a more-than average growth in the aggregate market premiums. As per market figures the aggregate gross premiums for the year crossed SR 30b – as compared to SR 24.6b in 2013. While top-five players wrote nearly 64% of this figure, in due course, this concentration is expected to come down with smaller and medium sized players securing opportunities to increase their business books. The management team is working with a committed plan to enhance the profitability of the Company by taking necessary measure to improvise on its operating efficiency. As part of the capital increase program, a comprehensive 5-Year Business Plan has been drawn up that encompasses core issues such as sales strategy, market expansion, sales-channel development, solvency, IT, Saudization, human resources and training. The Plan is set to serve as a guideline of success and growth towards which your Company intends to march.

The Board of Directors likes to thank its shareholders for their trust and confidence and also the work-force of the Company for their dedicated efforts and hard-work in the year and hope that this will continue in the future. Encouraging national employees to grow within the entity and eventually assume bigger roles of leadership and responsibility continues to be a focused area at Wala'a. Employees are urged to pursue vigorously locally available training facilities as well as enroll with professional courses abroad. Wala'a is proud that as at end of 2014, 58% of its work-force were national employees with several of them occupying managerial roles.

The Company also appreciates the trust and faith placed by its business partners in the course of its progress and heartily acknowledges their support. The Board looks forward to Company's growth and progress for the benefit of all stakeholders involved.

Thank you,

Yours sincerely

Yours truly,
Sulaiman A. Al-Kadi

Wala'a ولاء

Message from the Chief Executive Officer

Dear Shareholders,

It is a matter of happiness that the Company submits its 6th annual report of progress to its valued shareholders. Despite the challenging market conditions in terms of pricing of compulsory line products, the Company managed to report a modest surplus for the year 2014. Continuing from previous years, the Kingdom's insurance industry in general is facing a situation of pricing issues, highly unbalanced concentration of premiums and issues relating to economies of scale when it comes to medium to smaller sized players. The need to carry technical reserves based on actuarial analysis also results in additional pressure on the eventual reported figures.

Following section of the report summarizes various performance and other aspects of the Company's operations for the twelve-month period ending 31 December 2014.

Financial

For the year 2014, the net surplus before zakat and unrealized changes in fair-value of investments is SR 4.84m compared to SR 24.65m for the year 2013. This reduction is mainly on account of additional technical reserves to the extent of SR 14.7m that we are carrying in our books for the year 2014 based on actuarial computations. On the other side, realized gain on sale of equity investments has vastly helped us to report this gain for the year under review. The gross written premium for the year 2014 has reached an all-time high of SR 649m, compared to SR 347m in 2013.

Financial Strength Rating

The Financial Strength Rating (FSR) of **B++ (Good)** and Issuer Credit Rating (ICR) of **'bbb'** issued by AM Best Europe Rating Services Ltd. have been reaffirmed during November 2014. The outlook for both rating these rating indicators remain as **'Stable.'** The Rating Agency is keenly following up on developments of Company's activities especially relating to increase in paid-up Capital as this has a significant bearing on the prospect of securing improvement and progress in our rating.

Increase in Capital through Rights Issue

Wala'a has been working on this area for quite some time now, and after series of discussions during April 2014 which included a high-level meeting with SAMA, we were successful in obtaining a Primary Approval to increase the paid-up share capital from current SR 200m to SR 400m through Rights Issue. Immediately upon obtaining SAMA approval, necessary steps were taken to appoint a financial-advisor and lead manager to handle various steps leading to obtaining further regulatory approvals. The Rights Issue is perceived to be completed soon with our application file is resting with Capital Market Authority (CMA) at an advanced stage of completion. The Company expects significant benefits and progress when once the increase in capital is successfully completed.

Growth strategy and marketing initiatives

The Company has prepared a comprehensive 5-year Business Plan and submitted this as part of our application to SAMA seeking increase in Capital. This Plan encompasses various aspects such as 5-year financial forecasts, marketing and sales plans, developing sales channels, improving solvency, providing high-level training to employees, Saudization, succession planning and IT development.

As before, our aim to achieve a balanced mix of portfolio is given prime importance even as we look at growth over the next five-year period. Developing both retail and corporate segments are given high priority in our growth matrix. The compulsory lines of motor and health are still going through tremendous pressures in terms of pricing. The top five market players wrote nearly 64% of the aggregate market premiums for the year 2014. The remaining 30 market participants including Wala'a had to work with the rest of the market share, and thus had to face issues such as fierce price-wars and issues arising on account of economies of scale. Business practices and strategies are kept very dynamic at Wala'a and management team closely reviews these parameters to keep ourselves on a competitive edge in the market. At the same time, a very high-degree of care and caution is exercised when it comes to maintaining operational efficiency and profitability. Our business relationship with Al-Mayazeen Insurance Agency has given us opportunities to develop our business book, and at the same time, maintain a country-wide presence through their network. Our own marketing efforts continue to expand and enhance our customer-base and also seek business opportunities across all lines that we write.

Our on-line sales campaign is expected to go in full-swing during 2015, and through this we expect our valued clients to choose and purchase an insurance policy right from the convenience of their desks.

Readers of this report are kindly requested to note that references made in this message or other sections of this report may contain forward looking statements which are based on current plans and assumptions, and the actual position might differ from those statements.

Business Process and IT improvements

In the current environment where reliance on IT is very critical, Wala'a has put in place an ERP framework that is constantly kept up to date in line with technological developments. The core working modules are in the process of getting integrated with other back-end support modules, after exhaustive and extensive testing by the users with live-data. We already have in place an advanced 'claim-tracking system' whereby a claimant can enter a few levels of details relating to a claim, and immediately obtain an update on the status of his claim settlement. This service is expected to be extended even to brokers and customers, who can get a summary of their account status and claims experience through a secured enquiry module. Our Customer Service team is ready to serve current and potential clients with any of their inquiries through a dedicated portal.

Human Resources and Saudization

We at Wala'a place a high-level of importance towards developing the important asset of human resource team. Our investment in developing and training the national employees has been appreciated by team members and all employees are urged to benefit from the training program that has been structured to nurture their overall working skills. While most employees have completed the IFCE accreditation as per specified guidelines, the newly joined work force is in the process of completing initial training before appearing for examination. As at end of December 2014, at a Saudization level of 58.4% the Company had continued to retain the 'Platinum' status with Ministry of Labour program.

Corporate governance and risk management

Wala'a has a robust corporate governance framework that covers all areas of operation. Wherever found necessary, improvements have been introduced to keep in line with the best practices adopted in the industry. The risk-management framework will be further strengthened in the year 2015 with a specialized team-member joining the team.

Industry challenges and opportunities

The Saudi insurance industry is in the stage of development and hence, has its own share of challenges. The Kingdom's insurance penetration rate is very low compared to other markets of the region, and also compared to the quantum of its own GDP. The recent infusion of funds into the economy by a Royal decree is expected to act as a catalyst in providing growth opportunities. Wala'a continues to seek opportunities and avenues to expand into this market through its well-designed and planned initiatives. The entire insurance industry and especially the medium to small-sized operators have a common issue of choosing an optimal model, and ensure that shareholders' equity is maintained at positive levels. The last quarter of 2014 witnessed an unprecedented downturn of prices on the Saudi equity market. This has resulted in significant extent of unrealized losses on fair-values of equity investments made by the Company as at 31 December 2014. However, it is heartening to note that much of this impact has been reduced during the first few weeks of 2015. The shareholders' equity is therefore expected to regain its original levels in the short to medium term.

Looking ahead

As outlined in our 5-year Business Plan, Wala'a intends to attain a holistic growth in the next few years of its progress. With the availability of additional capital during the first half of 2015, the Company's growth and investment plans should be successfully implemented. In addition, with improvement in Company's solvency, performance and availability of investible funds, we should also be in a position to secure an improved Financial Strength Rating. This should give us the required edge to surge forward in this market and also cater to specialized clientele who are looking forward to working with a secured and rated insurer to manage their risks.

Acknowledgements

As always, I am grateful to the stakeholders and business partners for the continuing support and contribution extended to our Company. I take this opportunity to congratulate and thank our staff members for their dedication, hard work and sincere efforts that are the cornerstones for Walaa's success as a strong and responsible business entity. It is also a privilege for me and my colleagues to thank the Chairman and members of the Board for their continuing guidance and support. We also sincerely acknowledge and appreciate the support and guidance provided by SAMA, CCHI and governmental entities in the Kingdom in achieving our objectives.

Thank you,
Johnson Varughese

Notes to the Report of the Board of Directors

1. Principal activities

The Company is involved in cooperative insurance and reinsurance in the general and health lines of business and related investment activities. Though the company is engaged in reinsurance inward business, it does not contribute materially to the turnover and the reported surplus of the company.

The composition of activities between major lines of business is as follows:

(SAR m)

	2014				2013			
	Motor	**Health**	**General**	**Total**	Motor	Health	General	Total
Gross written premium	240.49	47.26	361.87	**649.61**	106.83	44.51	195.85	347.19
Net earned premium	163.97	48.41	44.80	**257.18**	82.67	42.63	40.01	165.31
Net technical result				**12.90**				44.96
Less: Operating expenses (unallocated)				**(48.82)**				(44.70)
Surplus / (deficit) from Underwriting operations				**(35.92)**				0.26

2. Financial performance

Income and Expenditure Statement
for the year ended 31 December

(SAR m)

	2014	2013	2012	2011	2010	2009
Insurance operations:						
Gross premiums written	649.61	347.19	234.09	278.56	220.00	142.92
Net earned premium	257.18	152.33	177.86	164.43	118.61	41.64
Reinsurance commission	19.25	21.22	10.45	15.20	14.50	5.43
Other underwriting income	0.65	0.10	0.16	0.31	0.08	0.08
Total underwriting revenues	**277.08**	**173.65**	**188.48**	**179.94**	**133.19**	**47.15**
Net incurred claims including reserves	(208.22)	(97.43)	(101.35)	(101.28)	(76.40)	(40.21)
Policy acquisition costs	(36.00)	(20.59)	(23.16)	(27.04)	(20.58)	(6.01)
Excess of Loss protection cost	(9.37)	(6.72)	(5.64)	(5.99)	(4.60)	(5.98)
Other underwriting expenses	(10.59)	(3.95)	(5.10)	(3.77)	(3.10)	(2.01)
Total underwriting expenses	**(264.18)**	**(128.69)**	**(135.25)**	**(138.08)**	**(104.68)**	**(54.21)**
Net underwriting surplus / (deficit)	**12.90**	**44.96**	**53.23**	**41.86**	**28.51**	**(7.06)**
Employee cost and operating expenses	(48.82)	(44.70)	(38.03)	(35.85)	(34.79)	(18.69)
Surplus / (deficit) from insurance operations	**(35.92)**	**0.26**	**15.20**	**6.01**	**(6.28)**	**(25.75)**
Shareholders' appropriation of surplus	-	(0.00)	(1.52)	(0.60)	-	-
Net result for the period	**(35.92)**	**0.26**	**13.68**	**5.41**	**(6.28)**	**(25.75)**
Net Surplus from insurance operations						
transferred to shareholders	(35.92)	0.26	13.68	5.41	(6.28)	(25.75)
Commission income from bank deposits	0.82	0.79	0.87	0.79	0.93	2.78
Realized gains on available for sale investments	41.92	25.66	7.21	-	-	-
General and administrative expenses	(1.99)	(2.04)	(3.00)	(1.62)	(1.63)	(2.12)
Net surplus / (deficit) for the period	**4.84**	**24.67**	**18.76**	**4.58**	**(6.98)**	**(25.09)**
Unrealized gain / (loss) from investment in shares	(34.70)	9.99	4.64	1.65	4.84	0.13
Zakat and income tax	(8.53)	(3.00)	(2.75)	(1.88)	(1.93)	(1.87)
Comprehensive surplus / (deficit) for the period	**(38.39)**	**31.66**	**20.65**	**4.35**	**(4.07)**	**(26.83)**

Statement of Financial Position

As at 31 December (SAR m)

	2014	2013	2012	2011	2010	2009
Assets						
Insurance operations:						
Property and equipment	3.86	4.53	3.21	2.32	2.54	2.40
Intangible asset (computer software)	1.71					
Insurance receivable	102.90	79.11	62.07	57.26	55.50	46.49
Reinsurer's share of unearned premium	118.96	57.44	44.28	74.89	30.92	30.41
Reinsurer's share of outstanding claims	239.78	105.12	46.15	45.36	18.39	25.12
Deferred policy acquisition costs	15.54	12.05	9.72	13.76	13.55	6.21
Due from affiliate	-	-				0.86
Due from shareholders	1.24				2.59	29.65
Prepaid expenses and other assets	10.40	14.29	6.45	4.88	2.90	2.38
Accrued interest income	0.07	0.03	0.08	0.11	0.02	
Short-term deposits						
Cash and cash equivalents	210.98	119.38	81.79	137.72	86.24	26.39
sub-total	*705.43*	*391.96*	*253.75*	*336.30*	*212.65*	*169.91*
Shareholders' operations:						
Property and equipment						
Statutory deposit	20.00	20.00	20.00	20.00	20.00	20.00
Other financial assets	79.29	60.94	64.80	51.40	49.69	34.35
Short term deposits	-	26.98	26.48	40.00	40.00	65.00
Prepaid expenses and other assets	1.14					
Accrued interest income	1.08	0.94	1.17	0.76	0.67	0.84
Due from insurance operations	.	19.82	10.42	20.81		
Cash and cash equivalents	83.10	86.37	60.00	26.27	46.09	70.44
subtotal	*184.60*	*215.05*	*182.87*	*159.24*	*156.45*	*190.63*
Total Assets	**890.04**	**607.01**	**436.61**	**495.54**	**369.10**	**360.54**
Liabilities and shareholders' equity						
Insurance operations:						
Technical reserves	627.88	319.29	203.59	237.75	169.24	125.91
Reinsurance payables	24.15	18.37	26.76	67.47	34.72	40.29
End of service benefits	4.20	3.06	2.18	1.49	1.27	0.72
Accrued expenses and other liabilities	47.05	29.28	8.68	8.18	7.42	2.99
Due to shareholders	-	19.82	10.42	20.81		
Share of surplus	2.15	2.15	2.12	0.60		
subtotal	*705.43*	*391.97*	*253.75*	*336.30*	*212.65*	*169.91*
Shareholders' operations:						
Due to an affiliate						29.65
Due to insurance operations	1.24				2.59	
Accrued expenses and other liabilities	14.98	8.27	7.73	4.75	3.73	6.78
Shareholders' equity	168.39	206.78	175.14	154.49	150.13	154.20
subtotal	*184.61*	*215.05*	*182.87*	*159.24*	*156.45*	*190.63*
Total Liabilities and shareholders' equity	**890.04**	**607.01**	**436.61**	**495.54**	**369.10**	**360.54**

3. Significant plans, decisions and future prospects

A major step taken by the Company during 2014 is to increase the paid-up capital by SR 200million, by offering priority Rights Issue. Primary approval was obtained from SAMA during April 2004 and subsequently, during August 2014 our file and application along with draft prospectus was presented to the Capital Market Authority (CMA) seeking their approval. Towards end of the year 2014, the file had reached advanced stage of clearance with the Authority.

During 2014, the Company entered into an agency arrangement with Al-Mayazeen Insurance Services, a leading name in the Kingdom, in line with the overall strategy pursued by the Company to enhance the retail business segment. At the same time, the management took steps to gradually and increasingly rely on its own internal sales teams to strengthen the customer base, as well as to provide more personalized service to clients. New branches were opened at Al-Hassa, Qaseem and Al-Dammam during the year. A number of sales representatives with local knowledge of the market were added to the team during the year, and the Company expects to build-up on this trend to improvise the working relationship with our customers.

Retail business continues to remain under high focus and management is very keen to ensure that this segment is conducted in full compliance with regulatory documentation requirements. Regional sales teams are being strengthened to secure a higher share of corporate and SME sector of the market. The Company's IT and communication system is continuously being upgraded to stay in tune with business growth, and to ensure prompt service to clients' requirements.

The Company also adopted a revised pricing policy for motor and health products in accordance with regulatory requirements after conducting an actuarial review of the portfolio.

4. Risks faced by the Company

The Company has established a risk management framework to protect the Company from events that hinder the sustainable achievement of its performance objectives, including failing to exploit opportunities.

The risks faced by the Company can be categorized as follows:

a) **Competition risk:** The Company faces intense competition from other insurance companies, and this is general for all companies. However, the company has taken a series of proactive actions based on competitive prices based on a statistical and an actuarial basis that ensures the safety and success of the technical capacity of insurance policies underwriting, in addition an effective prevention programs to enable the ability to grow and achieve its goals. Matters taken by the company during the year 2014 to face increasing competition is to improve the retail sales department and improve customer service system and developing existing products as well as to developing new products to ensure the best possible service to its customers.

b) **Strategic risk:** Strategic risk is explicitly considered through strategic review and planning process. The company closely monitors regulatory, legal and fiscal developments as well as actively engaging with external bodies to share the benefit of expertise in supporting responses to emerging risks to challenge developments that could be damaging to business and the industry as a whole.

c) **Operational risk:** Significant resources are devoted to maintaining efficient and effective operations within company's framework of corporate responsibility, policies and business ethics code. The Company Executive Team oversees aggregate operational risk exposure and reports to the Board. The Company has a full-time in-house internal audit and risk management team that oversees various controls, ensures adherence to policies and procedures.

d) **Human resource risk:** The insurance market needs qualified cadres familiar with insurance activity, which leads to increased demand for qualified people and the company is faced resignations risk by its competent staff, However, the company is continuing the policy of training and serious rehabilitation for existing and future employees which be varied to suit all management levels in the company. This design comes in spite of the possibility of losing some cadres to the competition organization, but in general, it remains in the interests of the country. Therefore, developing and focusing on the competencies of Saudi nationals will continue in all areas and managerial levels at the company.

e) **Concentration risk:** Although the company obtained several large business contracts and be positive on the company's resources, it leads to the risk of losing a high percentage of the company's resources in case of the loss of a customer within the same category. Therefore, the company has developed an action plan based on diversifying the customer base to include the development of the retail sector and targeting small and medium enterprises as well as to support the brokerage unit in the company.

f) **Regulatory risk:** The company management and compliance officer ensure compliance with all regulatory requirements and initiate timely update for regulatory changes and enable the Company to remain compliant with regulatory changes**.**

5. Geographical operations

Company does not have any overseas subsidiaries and operates within the Kingdom of Saudi Arabia. Geographical details of gross written premium are given below:

(SAR m)

Regionwise distribution of Gross written premium	Eastern	Central	Western	Total
Year 2014	393.61	203.00	53.00	**649.61**
Year 2013	234.19	63.00	50.00	**347.19**
Year 2012	147.09	40.00	47.00	**234.09**
Year 2011	164.00	54.23	60.33	**278.56**
Year 2010	173.62	18.88	27.50	**220.00**
Year 2009	107.63	11.49	23.80	**142.92**

6. Material variations from previous year

The reported operational result for the year 2014 as compared to previous year has decreased due to a combination of several reasons summarized as follows:

- *Gross premiums written* during 2014 have increased by 87% over 2013. Majority of this increase has come from motor line with increased focus on retail business. Other segments such as property and engineering have also registered commendable levels of increase. However, despite this increase in top-line, the effect to contribute towards technical result will be seen in later years.

- *Net premiums earned* during 2014 have also increased by 69% over 2013 – which is in line with increased gross premiums written. It should also be noted here that increase in the rates of compulsory lines particularly motor, have been seen during 2014. This increase based on actuarial pricing which was expected to be implemented during 1st quarter of 2014 came into force only during second half of 3rd quarter 2014. The full impact of the pricing shall be seen more clearly during 2015.

- *Net claims paid* have increased by 113% over 2013. This is once again due to increase in motor claims paid during the year with increased retail portfolio. Added to this are the additional technical reserves which we had to carry as at end of the year based on actuarial computations.

- *Policy acquisition costs, Excess of loss expense and other underwriting and claim management expenses* have also increased during 2014 in line with change in the business book for the year. All these line items are expected to grow in proportionate terms with gross premiums written.

- *Net technical result* – although a surplus for the year 2014, has decreased compared to 2013 due to combined effect of various line items explained above.

- *Operating expenses, salaries and general and administration expenses* have also increased by 9% compared to 2013 reflecting the change in scale of operations. During 2014 new retail offices have been set-up and related expenses have contributed to the increase.

- *Net deficit from insurance operations* for the year is due to significant increase in net claims incurred.

- *Realized fair value changes on Available-for-sale investments* has increased in 2014 by 63% due to sale of equity investment holdings.

- *Provision for zakat and income tax* has increased by 184% compared to 2013 on account of setting up additional provision for zakat affecting the shareholders' equity. The final amount of zakat payable however is subject to assessment by the Department of Zakat and Income tax.

7. Accounting Standards

The company adheres to International Financial Reporting Standards (IFRS) and the relevant International Accounting Standards (IAS) in the preparation of its financial statements, as required by the Saudi Arabian Monetary Agency (SAMA). It does not follow the accounting standards generally followed in the Kingdom of Saudi Arabia. The external auditors have modified their audit report to include an emphasis of matter paragraph addressing this issue.

8. Dividend Policy

The company adopts the requirements to distribute dividends as and when declared, as per its Articles of Association, summarized as follows:

(1) Zakat & Income Tax amounts shall be set aside.

(2) 20% of net profit shall be set aside to form the Statutory Reserve and the ordinary General Assembly may hold such action when the legal reserve becomes equal to 100% of the Company's capital.

(3) The ordinary General Assembly, based on Board's recommendation, may set aside a portion of the annual net profit to form an additional reserve for certain purpose(s) to be determined by the Assembly.

(4) Out of the above balance, the shareholders shall receive an amount representing the first payment which shall not be less than 5% of the paid up capital.

(5) The remaining amount shall be distributed as dividends or forwarded to the retained earnings account.

(6) The Company may distribute, based on a Board resolution, periodic profits to be deducted from the annual profits referred to in item (4) above in accordance with the rules regulating this process to be issued by the competent authorities.

(7) The Company shall immediately inform the Capital Market Authority of any resolutions or recommendations for distribution of profit. The profits, so proposed for the distribution shall be paid to the shareholders at the place and time specified by the Board pursuant to the instructions issued by the Ministry of Commerce & Industry and subject to SAMA written approval.

(The company did not declare any dividend for 2014 due to the accumulated deficit)

9. Interest, Options and Subscription rights

During the year 2014, details of interests, options and subscription rights of the issuer's directors, senior executives and their spouses and minor children in the Shares of the company or Debt Instruments are as follows:

	Board member	At beginning of the year		Change in holding		At end of the year 2014	
		No. of shares held	Pct. Of shares held	Number	% of change	No. of shares held	Pct. Of shares held
1	Sulaiman A. Al-Kadi	1,000	0.005%	60	6.00%	1,060	0.005%
2	Abdullah M. Al-Othman	1,000	0.005%			1,000	0.005%
3	Wasef S.A Al-Jebsheh	2,100,000	10.500%			2,100,000	10.500%
4	Walid S. Al-Shoaibi	50,000	0.250%			50,000	0.250%
5	Khalid A.S Al-Rajhi	1,000	0.005%			1,000	0.005%
6	Abdulaziz S. Al-Rebdi	1,000	0.005%			1,000	0.005%
7	Sulaiman A. Al-Twaijri	1,000	0.005%			1,000	0.005%
8	Walid M. Al-Jaafari	240,000	1.200%			240,000	1.200%
9	Hassan E. Al-Kabbani	1,000	0.005%			1,000	0.005%
10	Jameel A. Al-Mulhem	1,000	0.005%			1,000	0.005%

Senior Executives and their spouses and minor children have no interests, options, and subscriptions rights in the Shares or Debt Instruments of the Company.

10. Significant Interest in a Class of Voting Shares

As at 31st December 2014, there is no holding of significant interest in a class of voting shares held by any person.

11.Borrowings, Issue / Redemption of Securities

The company has neither borrowed any funds nor issued or redeemed any securities during the year and does not have any outstanding convertible and/or redeemable debt instruments, options, warrants or similar rights.

12.Related Party Transactions

Details of related party transactions are furnished below:

(SAR m)

Director		Insurance contracts	Terms / duration
	Direct placements:		
Sulaiman Al-Kadi	private motor car insurance	0.067	12-months
Abdullah M. Al-Othman	Al-Othman Group	0.354	12-months
Waleed Al-Shoaibi	Al-Shoaibi Group	0.005	12-months
Waleed Al-Jaafari	Al-Dawaa Medical Services	1.496	various
Khalid Al-Rajhi	Procare / Al-Riaya Hospital	0.081	various
	Key management personnel	0.013	12-months

In addition to the above direct placements, the company also recorded during the year following premiums placed through brokers / insurance companies:

Hassan Al-Kabbani	Essam Al-Kabbani Group	5.166	various
Dr. Sulaiman Al-Towaijri	Amiantit Group	0.283	various
Waleed Al-Shoaibi	Al-Shoaibi Group	0.436	various

The company did not conduct any contract in which a director of the issuer, the CEO, the CFO or any associate is or was materially interested during the year other than those mentioned above.

13. Statutory dues and payments

The company does not have any outstanding statutory dues as on 31 December 2013, except for the following:

(SAR m)

	2014	2013	2012	2011	2010	2009
GOSI for December paid in January the following year	0.23	0.17	- *	0.13	0.13	0.07
Zakat and tax: Provision for year, due for payment upon filing	3.00	3.00	2.75	1.88	1.93	1.87
Council of Cooperative Health Insurance (CCHI) fee	0.47	0.45	0.65	0.99	0.37	0.28
SAMA Supervision fee (provision for last quarter, paid in January)	0.50	0.35	0.18	0.75	0.25	0.00

(* - SR 0.142m towards GOSI for December 2012, has been paid in December 2012 itself)

During the year 2014, the Company has made following payments to various statutory agencies:

(SAR m)

	2014	2013	2012	2011	2010	2009
Zakat, Income tax and withholding tax	2.58	2.45	1.51	1.58	0.85	1.06
Saudi Arabian Monetary Agency (SAMA) Supervision	3.01	1.53	1.72	0.86	0.75	0.70
GOSI (Social insurance)	2.26	1.79	1.88	1.00	0.81	0.42
Council of Cooperative Health Insurance (CCHI)	0.60	0.65	0.99	0.37	0.28	-
Ministry of Interior, Labour office, Chamber of Commerce & Sagia	0.06	0.03	0.03	0.04	0.03	0.02

14. Employees benefits

The Company did not make any investments or set up any reserves for the benefit of the employees. The Company provides personal accident with group life insurance cover to its employees against any accidental death or disability.

15. Statements of affirmation

During the year,

- The Company has maintained proper books of accounts.
- The System of internal control is sound in design and has been effectively implemented.
- There are no significant doubts concerning the company's ability to continue as a going concern.

16. Appointing External Auditors

The Board of Directors recommended the appointment of PriceWaterHouse and Deloitte & Touche as external auditors based on Audit Committee's recommendation to review and audit the company's accounts for 2014, after completion of terms by the previous external auditors at the end of 2013. The General Assembly approved this appointment during its meeting held on 30 April 2014.

17. Corporate Governance

All applicable provisions of the CMA Corporate Governance Regulations were implemented during the year except the following:

1. *Rights of shareholders in the article of association [Article#3 & 4 (a)]:*
   The article of association of the company does not include (a) the shareholders' right to a share of the company's assets upon liquidation. (b) The right to supervise the Board of Directors activities, and file responsibility claims against Board members. (c) The right to inquire and have access to information without prejudice to the company's interests and in a manner that does not contradict the Capital Market Law and the Implementing Rules. However, it may be noted that that the article of association of the insurance companies was prepared and enforced by SAMA. Moreover, above mentioned rights are granted to the shareholders according to ministry of commerce and CMA regulations. The shareholders approve the Board of Director report and discharge the directors from any liabilities in the annual general assembly. The appointment / ratification of appointment of the board lies with the shareholders.

2. *Accumulative voting method for nomination of board members [Article#6 (b)]:*
   The method of voting for nomination of the board members is not specified in the article of association formulated by SAMA. Therefore, the board of directors applied the ordinary voting method since they have not adopted the accumulative voting method until now.

3. *The company's social contributions in the stakeholders' relationship policy [Article#10 (e/5)]:*
The nature of cooperative insurance business itself is considered as social contribution since it provides protection to individuals and society's wealth from possible risks. Moreover, the company contributes to the society through applying the Saudization plan as per regulatory requirements, including employment opportunities for female staff. The company has in place a very pro-active staff training policy that encourages Saudi staff to pursue IFCE examinations, English language related courses and other academic programs. Wala'a coordinates with leading universities of the Kingdom in the 'Co-Op Training Program' offering credit hours to the graduate students to obtain their qualifying degrees. The company also has a policy to provide suitable employment opportunities to physically-challenged or those with special needs.

18. Offices held by company's directors in other companies

During the year, the Company's Board members held offices in other companies as members of its board of directors as follows:

	Name of Board Member	Name of Companies
1	Sulaiman A. Al-Kadi	• Saudi Electricity Co. (SEC) • Saudi Hollandi Bank • Chemical Development Co. – Closed company • Basic Chemical Industries Co. (BCI)
2	Abdullah M. Al-Othman	• Takween Advanced Industries • Al-Othman Holding Co.- Closed company • Roots Group Arabia- Closed company • GIB Capital LLC - Closed company
3	Wasef S. A. Al-Jabsheh	• International General Insurance Co. Ltd. and associates
4	Walid S. Al-Shoaibi	• Suhayl Bin Abdulmohsin Al Shoaibi & Sons Holding Co. Ltd. • Saudi Chainlink Fence Manufacturing Co. Ltd. • Heating & Air Conditioning Enterprises Co. • Kalaam Telecom Company • Pride Arabia Company • McDermott Arabia Co. Ltd • Chemical Development Co. – Closed company
5	Khalid A. S. Al-Rajhi	• Al-Bilad Bank • Al-Bilad Capital • Saudi Cement Company • Takween Advanced Industries
6	Abdulaziz S. Al-Rebdi	• Al-Othaim Markets Company • Takween Advanced Industries • Obeikan Glass Co. – Closed company • Abdulmohsen-Alhokair Group for Tourism & Development • Al Hammadi Company for Development and Investment
7	Sulaiman A. Al-Twaijri	• Saudi Arabian Amiantit Co. • Takween Advanced Industries • Chemical Development Co. – Closed company
8	Waleed M. Al-Jaafari	• Advanced Petrochemical Co. • Golf Real Estate Co. – Closed company • Siyaha International Company – Closed company • Al-Dawaa Medical Services Company – Closed company
9	Hassan E. Kabbani	• Isam K. Kabbani for Insurance and Reins. Brokerage Co. - limited liability • Isam Kabbani & Partners for Constn. & Maint. Co. Ltd.- Closed Company • Isam Mohammad Khayri Kabbani & Partners Holding Co. • Dar Istegdam Company
10	Jameel A. Al-Molhem	• Al-Hassan Ghazin Ibrahim Shakir Co.

19. Board of Directors and composition

	Member	Functional duty	Classification
1	Sulaiman A. Al-Kadi	Chairman	Independent
2	Abdullah M. Al-Othman	Vice Chairman	Independent
3	Wasef S. A. Al-Jabsheh	Member	Non-executive
4	Walid S. Al-Shoaibi	Member	Independent
5	Khalid A. S. Al-Rajhi	Member	Independent
6	Waleed M. Al-Jaafary	Member	Independent
7	Abdulaziz S. Al-Rebdi	Member	Independent
8	Sulaiman A. Al-Twaijri	Member	Independent
9	Hassan E. Kabbani	Member	Independent
10	Jameel A. Al-Molhem	Member	Independent

20. Board and Committees

The Board of Directors is entrusted with effective management and control of the company. It gives strategic direction to achieve the company objectives and monitors the performance through regular meetings held throughout the year.

During the period of this report the Board held four meetings during 2014 detailed as follows:

Member	First Meeting 27.2.2014	Second Meeting 30.4.2014	Third Meeting 20.7.2014	Fourth Meeting 23.11.2014	Total
Sulaiman A. Al-Kadi	✓	✓	✓	✓	4
Wasef S. A. Al-Jabsheh	✓	✓	x	x	2
Abdullah M. Al-Othman	✓	✓	✓	✓	4
Walid S. Al-Shoaibi	✓	✓	✓	x	3
Khalid A. S. Al-Rajhi	x	✓	✓	✓	3
Abdulaziz S. Al-Rebdi	✓	x	x	✓	2
Sulaiman A. Al-Twaijri	x	✓	x	✓	2
Waleed M. Al-Jaafary	✓	✓	x	x	2
Hassan E. Kabbani	✓	✓	✓	✓	4
Jamil A. Al-Molhem	✓	✓	✓	✓	4

The Board has appointed the following committees to ensure full control and effectiveness of the management:

(i) Executive Committee

The Board of Directors shall appoint the Executive Committee from amongst its members. The CEO shall be an ex-officio member and secretary of the Committee. The Committee should have at least three members.

The Executive Committee makes recommendations to the Board of Directors in regards to the topics raised by the executive management of the company, and determines which of those shall be referred to the Board. The Executive Committee also reviews the annual budget of the company prior to presentation to the board with their recommendation. Furthermore, the Executive Committee discusses the related technical, marketing, and administrative matters and raises its decisions and recommendations to the Board of Directors.

The term of office of the executive committee extends from the date of appointment until the end of the term of the board of directors which appointed the members of the committee.

During the period of this report, the Committee has met six times. The members of the Committee and the details of the meetings held are given below:

Member	Role	No. of meetings Attended
Abdullah M. Al Othman	Chairman	6
Walid S. Al Shoaibi	Member	5
Khalid A. S. Al-Rajhi	Member	6
Wasef S. A. Al-Jabsheh	Member	3

(ii) Audit Committee

Audit Committee should consist of three to five members majority of them should be independent members at least one of them should be a member of the Board. The Board, upon the recommendation of the Nomination Committee, appoints a Chairman from among the members. The internal auditor of the Company shall function as secretary to the Audit Committee.

All members should be financially literate and possesses an ability to read and understand the fundamental financial statements of the company. At least one member of the Committee shall be an expert on finance and accounting matters.

An audit committee member shall not serve as a member in more than three audit committees of publicly listed companies concurrently. An audit committee member shall not accept from the company any consulting, advisory or other compensatory fees other than the sitting fee/ remuneration determined by the Board.

The audit committee should meet at least four times a year and simple majority of the members shall make a quorum. In case of urgency, the committee can take decision by circulation of email.

Term of office shall extend from the date of appointment until the end of the term of the Board of Directors which appointed the members of the committee.

The Audit Committee supervises the company's internal audit department and compliance department to ensure their effectiveness in executing the activities and duties specified by the Board of Directors. The Audit Committee also reviews the internal audit procedures periodically. The Audit Committee reviews the internal audit and compliance reports and pursues the implementation of the corrective measures in respect of the comments included in them.

Moreover, the committee recommends to the Board of Directors the appointment, dismissal and the remuneration of the external auditors; upon and such recommendation, regard must be made to their independence. The committee monitors the activities of the external auditors and approves any activity beyond the scope of the audit work assigned to them during the performance of their duties. They also review together with the external auditors the audit plan and make any comments thereon, and review the external auditors' comments on the financial statements and follow up the actions taken. In addition, they

review the interim and annual financial statements prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.
The Audit Committee reviews the accounting policies in force and advises the Board of Directors of any recommendations regarding them.
During the period of this report, the Committee met six times. The members of the Committee and the details of the meetings held are given below:

Member	Role	No. of meetings attended
Dr. Sulaiman A. Al Twaijri	Chairman of the Committee	6
Dr. Raed Abdulla Al-Hogail	Independent member	6
Waleed Al-Othaymeen	Independent member	6

(iii) Investment Committee

The Board, based on the recommendation of the Nomination Committee, appoints the investment committee from amongst its members. The committee should have at least three members, and the CEO and the CFO shall be ex-officio members of the Committee, with the CFO functioning as the secretary.
The Investment committee is responsible for the formulation of the investment policy. The committee should meet minimum two times a year. Term of office shall extend from the date of appointment until the end of the term of the Board of Directors which appointed the members of the committee.
The Committee met twice during the period of this report. The details of the Investment Committee and its meetings are provided below:

Member	Role	No. of meetings attended
Khalid A. S. Al Rajhi	Chairman of the Committee	1
Abdulaziz S. Al-Rebdi	Member	2
Waleed M. Al-Jaafary	Member	1
Hassan E. Kabbani	Member	2

(iv) Nomination & Remuneration Committee

The Board of Directors appoints a Nomination & Remuneration Committee from amongst its members with the CEO being the secretary of this Committee. The Committee shall consist of independent members and should have at least three members. This Committee shall make recommendations to the Board of persons to serve as directors from among the proposals received from the shareholders. They shall also recommend names to fill the vacancies occurring on the Board. The committee shall review the performance of the executive management and ensure that it is in line with the overall strategy of the Company.
The N&R Committee shall oversee the performance of the members of the Board, and shall be responsible for making recommendations to the board with respect to appointment of committees to the Board
The N&R Committee shall recommend the remuneration payable to the Directors and committee members as well as the CEO.
The Committee should meet at least once a year. Term of office shall extend from the date of appointment until the end of the term of the Board of Directors which appointed the members of the committee.
The N&R Committee reviews annually the requirement of suitable skills for membership of the Board of Directors and prepares a description of the required capabilities and qualifications for such membership, and defining the time that a board member should reserve for the activities of the Board. Moreover, The N&R Committee is reviews annually the structure of the Board of Directors and recommends changes. Also, the committee determines the points of strength and weakness in the Board of Directors and recommends remedies that serve the company’s interests and objectives.
The Committee ensures the independence of the members of board and absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.

The N&R Committee draws clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance were followed.
The Committee met once during the period. The details and attendance at the Nomination and Remuneration committee are given below:

Member	Role	No. of meetings attended
Sualiman A. Al Kadi	Chairman of the Committee	1
Abdulaziz S. Al-Rebdi	Member	1
Waleed M. Al-Jaafary	Member	1
Jameel A. Al-Molhem	Member	1

(v) Shariyah Board
Saudi United Cooperative Insurance Company (Wala'a) has appointed Shariyah Review Bureau Co. as a shariyah review committee. Their main role is to study and revise the company's financial and investments activities, and review the principles of insurance mechanism, insurance programs and products to confirm their compliance with the shariyah principles. Part of the committee duties is to review annually the company's products and services from an Islamic point of view then report the review processes results periodically - after the company's execute required amendments if exist- to the board of the Shariyah Review Bureau for certification, taking into consideration any modification may be required by the Shariyah board in order to approve the company and its products. The Shariyah Board consists of eminent scholars as nominated by them from time-to-time.

21. Compensation paid to Directors and senior executives

(SAR m)

Board member	Paid for 2014		
	Board meetings	Committee meetings	Travel expenses
Sulaiman A. Al-Kadi	0.012	0.052	-
Abdullah M. Al-Othman	0.012	0.059	-
Wasef S.A Al-Jabsheh	0.006	0.030	0.008
Walid S. Al-Shoaibi	0.009	0.049	-
Khalid A.S Al-Rajhi	0.009	0.061	-
Abdulaziz S. Al-Rebdi	0.006	0.055	0.003
Sulaiman A. Al-Twaijri	0.006	0.059	-
Waleed M. Al-Jaafary	0.006	0.053	-
Hassan E. Al-Kabbani	0.012	0.053	0.006
Jameel A. Al-Molhem	0.012	0.052	0.008
Total	**0.090**	**0.521**	**0.025**

For the year 2014	**salaries and compensation**	**transport allowance**	**bonus**	**other allowances**	**Total**
Compensation paid to five top-management executives	3.35	0.27	0.94	0.07	**4.63**

There have been no arrangements or agreements under which any director or senior executives of the company have waived any emolument or compensation.

22. Penalty / Preventive restriction

There were no penalties paid during the year and no restrictions were imposed on company's operations.

23. Internal Control

The board of directors have formed an audit committee, the prime responsibility of which includes discharging the board's responsibilities in respect of supervision of the company's financial reporting and evaluating the adequacy and effectiveness of the company's audit (both internal and external) and risk management processes. The Committee comprises of three members, two of whom are independent. The chairman is an independent non-executive director of the company. The audit committee held six meetings in the year 2014. The purposes of these meetings included, among others, the following:

a. Review and approval of the interim and final results of the company
b. Evaluating the adequacy and effectiveness of the internal and external audit functions.
c. Evaluating the adequacy and effectiveness of the compliance department
d. Assessing the effectiveness of the risk management practices and procedures.

The satisfactory annual audit of the financial statements provides insights into the effectiveness of the Company's internal control environment and procedures and its risk management practices. In addition to that, the internal audit function of the company assists the audit committee and consequently the board of directors in providing assurance that the Company's internal control system is adequate and effective in mitigating various risks faced by the company and hence ensuring that the objectives of the Company will be met. The internal audit department maintains its organization independence by functionally reporting to the audit committee as required by both the regulations and the best practices. As instructed by the audit committee and the requirement of policies and procedures of the company as well as best practices, the procedure followed by the internal audit department in discharging its responsibilities is as follows:

a. Periodically all significant business processes are risk assessed and classified as high, medium and low risk business processes.
b. An audit plan is then prepared and submitted to the Audit committee for approval on an annual basis. The audit plan is risk focused i.e. the high risk business processes are subject to more frequent audits and more rigorous internal audit procedures.
c. As a result of evolving circumstances, the audit plan may require revisions. Any revisions to the audit plan are also approved by the Audit Committee.
d. The audits are conducted in accordance with the approved audit plan and its results are submitted in the form of a report to the Audit Committee.

The internal audit department has conducted a number of audits in accordance with the approved internal audit plan and reported the findings to the Audit Committee as a result of these audits, together with management's response. In addition, the progress towards the resolution of the audit findings is also reported periodically. The department also presents separately the most significant findings, if any, as either part of the scheduled or specially arranged meetings. In 2014, the Internal Audit department as a result of the audits and reviews undertaken during the year did not come across any findings that could be significant enough to have a material effect on the operations of the company. Based on the risk assessments, audit plan and the internal audit review reports submitted by the internal audit department and the results of the quarterly reviews and the annual audits performed by the external auditors the Audit Committee was able to conclude that internal control system in the company is effective.

Moreover, the compliance function of the company assists the Audit Committee in ensuring compliance by the company's management, board of directors and approved persons with all relevant regulatory requirements, guidelines and directives issued by SAMA, CMA and other statutory authorities. The compliance function's key responsibilities include:

a. Developing, implementing, documenting and updating as needed compliance monitoring and risk management strategies, systems, procedures, processes and controls to meet SAMA's regulatory requirements, directives and anti-money laundering regulations
b. Ensuring Compliance with CMA rules and regulations including listing requirements, regulatory compliance and corporate governance.
c. Monitoring changes in legislation for insurance and ensure that the company acts in accordance with the revised / changed requirements.
d. Undertaking ongoing monitoring and ad hoc spot checks to assess the validity and application of internal procedures and processes and their compliance with regulations and/or directives
e. Ensuring that the company fulfills all the conditions required by SAMA and develop and maintains a professional relationship with SAMA and other statutory bodies.
f. Working with departmental Heads to direct compliance issues to appropriate channels for investigation and resolution
g. Consulting with the company's legal advisors as needed to resolve legal compliance issues

Thank you.

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
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, 2014

INDEX	**PAGES**

pwc

PricewaterhouseCoopers
P.O. Box 467
Dhahran Airport 31932
Saudi Arabia

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
P.O. Box 182, Dammam 31411
Saudi Arabia

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, 2014, 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 28 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 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, 2014 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.

PricewaterhouseCoopers

Omar M. Al Sagga
Certified Public Accountant
License Number 369

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

February 19, 2015
30 Rabi Al-Thani, 1436H

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi
Certified Public Accountant
License Number 378

ديلويت آند توش
بكر أبو الخير وشركاهم
محاسبون قانونيون
Lic. 96 ترخيص رقم ٩٦
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

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)

	Note	As at December 31, 2014	2013
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	**210,978,334**	119,381,611
Premiums and insurance balances receivable - net	5,19	**102,899,364**	79,108,899
Reinsurers' share of unearned premiums	6	**118,958,059**	57,439,907
Reinsurers' share of outstanding claims	7	**239,779,778**	105,122,990
Deferred policy acquisition costs	8	**15,538,816**	12,050,405
Due from shareholders' operations		**1,236,951**	-
Prepaid expenses and other assets	9	**10,396,711**	14,288,196
Accrued commission income		**74,063**	34,675
Property and equipment	10	**3,862,752**	4,532,680
Intangible asset		**1,710,558**	-
TOTAL INSURANCE OPERATIONS' ASSETS		**705,435,386**	391,959,363
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	**83,099,953**	86,366,117
Short-term deposits	11	**-**	26,983,859
Due from insurance operations		**-**	19,815,072
Prepaid expenses and other assets	9	**1,139,024**	-
Accrued commission income		**1,081,279**	939,190
Available-for-sale investments	12	**79,284,833**	54,441,698
Held-to-maturity investments	12	**-**	6,500,000
Statutory deposit	13	**20,000,000**	20,000,000
TOTAL SHAREHOLDERS' ASSETS		**184,605,089**	215,045,936
TOTAL ASSETS		**890,040,475**	607,005,299

(Continued)

The accompanying notes from 1 to 28 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)

	Note	As at December 31, 2014	2013
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Liabilities arising from insurance contracts:			
Unearned premiums	6	284,701,356	145,330,381
Outstanding claims	7	334,174,041	168,460,014
Total liabilities arising from insurance contracts		618,875,397	313,790,395
Accrued and other liabilities	14	47,046,865	29,283,978
Reinsurance balances payable		24,152,298	18,361,378
Unearned reinsurance commission	15	9,008,856	5,501,830
Due to shareholders' operations		-	19,815,072
End-of-service indemnities	16	4,204,524	3,059,264
Total insurance operations' liabilities		703,287,940	389,811,917
Insurance operations' surplus		2,147,446	2,147,446
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		705,435,386	391,959,363
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities	14	14,980,095	8,269,395
Due to insurance operations		1,236,951	-
		16,217,046	8,269,395
Shareholders' equity			
Share capital	17	200,000,000	200,000,000
Fair value reserve	12	(13,438,245)	21,258,354
Accumulated losses		(18,173,712)	(14,481,813)
Total shareholders' equity		168,388,043	206,776,541
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		184,605,089	215,045,936
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS, SHAREHOLDERS' LIABILITIES AND EQUITY		890,040,475	607,005,299
CONTINGENCIES	26		

The accompanying notes from 1 to 28 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, 2014	2013
REVENUES			
Gross premiums written	19	649,613,045	347,190,906
Reinsurance premiums ceded		(314,578,992)	(153,798,417)
Net premiums written	6	335,034,053	193,392,489
Changes in unearned premiums, net	6	(77,852,823)	(41,058,862)
Net premiums earned	6	257,181,230	152,333,627
Reinsurance commissions	15	19,247,111	21,223,135
Other underwriting income		653,420	96,153
Total revenues		277,081,761	173,652,915
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	7	212,901,928	117,449,436
Reinsurers' share of claims paid	7	(35,743,480)	(22,239,744)
Net claims paid	7	177,158,448	95,209,692
Changes in outstanding claims, net	7	31,057,239	2,216,157
Net claims incurred	7	208,215,687	97,425,849
Policy acquisition costs	8	36,003,583	20,593,378
Excess of loss expenses		9,374,353	6,724,498
Other underwriting expenses		10,587,649	3,947,330
Total underwriting costs and expenses		264,181,272	128,691,055
Net underwriting income		12,900,489	44,961,860
OTHER OPERATING EXPENSES, NET			
Operating and administrative salaries	19	(30,859,385)	(30,834,065)
General and administrative expenses	20	(18,043,251)	(14,266,654)
Commission income on bank deposits		86,672	401,117
Total other operating expenses, net		(48,815,964)	(44,699,602)
Net (deficit) surplus from insurance operations		(35,915,475)	262,258
Shareholders' absorption of deficit (appropriation of surplus)		35,915,475	(236,032)
Net result from insurance operations after shareholders' absorption of deficit (appropriation of surplus)		-	26,226
Insurance operations' surplus, beginning of the year		2,147,446	2,121,220
Insurance operations' surplus, end of the year		2,147,446	2,147,446

The accompanying notes from 1 to 28 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, 2014	2013
Net (deficit) surplus transferred from insurance operations		(35,915,475)	236,032
Commission income on bank deposits		626,372	605,027
Commission income on held-to-maturity investments		190,512	188,500
Dividends and realized fair value changes on available-for-sale investments	12	41,924,299	25,655,323
General and administrative expenses	20	(1,988,234)	(2,038,500)
Net income for the year		4,837,474	24,646,382
Basic and diluted earnings per share	25	0.24	1.23
Weighted average number of outstanding shares		20,000,000	20,000,000

The accompanying notes from 1 to 28 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, 2014	2013
Net income for the year		**4,837,474**	24,646,382
Provision for zakat and income tax	21	**(8,529,373)**	(3,000,000)
Net (loss) income for the year after zakat and income tax		**(3,691,899)**	21,646,382
Items that may subsequently be reclassified to the statement of shareholders' income:			
Unrealized fair value changes on available-for-sale investments, net	12	**(34,696,599)**	9,992,964
Total comprehensive (loss) income for the year		**(38,388,498)**	31,639,346
Basic and diluted (loss) earnings per share	25	**(0.18)**	1.08
Weighted average number of outstanding shares		**20,000,000**	20,000,000

The accompanying notes from 1 to 28 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	Fair value reserve	Accumulated losses	Total
Balance at January 1, 2013	200,000,000	11,265,390	(36,128,195)	175,137,195
Net income for the year	-	-	24,646,382	24,646,382
Provision for zakat and income tax	-	-	(3,000,000)	(3,000,000)
Unrealized fair value changes on available-for-sale investments, net	-	9,992,964	-	9,992,964
Balance at December 31, 2013	200,000,000	21,258,354	(14,481,813)	206,776,541
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**

The accompanying notes from 1 to 28 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, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (deficit) surplus from insurance operations		**(35,915,475)**	262,258
Adjustments for non-cash item:			
Depreciation	10	**1,537,370**	1,396,066
End-of-service indemnities, net		**1,145,260**	878,630
		(33,232,845)	2,536,954
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable, net		**(23,790,465)**	(17,043,020)
Reinsurers' share of unearned premiums		**(61,518,152)**	(13,155,786)
Reinsurers' share of outstanding claims		**(134,656,788)**	(58,969,976)
Deferred policy acquisition costs		**(3,488,411)**	(2,329,637)
Prepaid expenses and other assets		**2,180,927**	(7,837,758)
Accrued commission income		**(39,388)**	43,228
Unearned premiums		**139,370,975**	54,214,648
Outstanding claims		**165,714,027**	61,186,133
Accrued and other liabilities		**17,762,887**	2,045,046
Reinsurance balances payable		**5,790,920**	10,163,608
Unearned reinsurance commission		**3,507,026**	303,697
Net cash generated from operating activities		**77,600,713**	31,157,137
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	**(867,442)**	(2,720,954)
CASH FLOWS FROM FINANCING ACTIVITY			
Due from / to shareholders' operations		**14,863,452**	9,159,023
Net increase in cash and cash equivalents		**91,596,723**	37,595,206
Cash and cash equivalents, beginning of the year		**119,381,611**	81,786,405
Cash and cash equivalents, end of the year	4	**210,978,334**	119,381,611
Supplemental cash flow information:			
Non-cash investing activity:			
Reclassification of intangible asset		**1,710,558**	-

The accompanying notes from 1 to 28 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, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		4,837,474	24,646,382
Adjustments for:			
Commission income on bank deposits		(626,372)	(605,027)
Commission income on held-to-maturity investments		(190,512)	(188,500)
Dividend and realized fair value changes on available-for-sale investments	12	(41,924,299)	(25,655,323)
		(37,903,709)	(1,802,468)
Changes in operating assets and liabilities:			
Due from / to insurance operations		21,052,023	(9,395,055)
Prepaid expenses and other assets		(1,139,024)	-
Accrued and other liabilities		211,923	(265,523)
Cash used in operating activities		(17,778,787)	(11,463,046)
Zakat and income tax paid	21	(2,030,596)	(2,192,282)
Net cash used in operating activities		(19,809,383)	(13,655,328)
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term deposits		26,983,859	(507,865)
Proceeds from held-to-maturity investments	12	6,500,000	-
Purchase of available-for-sale investments	12	(91,661,000)	(18,713,313)
Proceeds from disposal of available-for-sale investments	12	32,121,266	32,565,085
Investment and commission income received		42,599,094	26,677,538
Net cash generated from investing activities		16,543,219	40,021,445
Net change in cash and cash equivalents		(3,266,164)	26,366,117
Cash and cash equivalents, beginning of the year		86,366,117	60,000,000
Cash and cash equivalents, end of the year	4	83,099,953	86,366,117
Supplemental cash flow information:			
Non-cash operating activity:			
Zakat and income tax charged to shareholders' comprehensive income	21	(8,529,374)	(3,000,000)
Non-cash investing activity:			
Unrealized fair value changes on available-for-sale investments, net	12	(34,696,599)	9,992,964

The accompanying notes from 1 to 28 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 of insurance operations 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, 2014 but had no significant financial impact on the financial statements of the Company:

- Amendment to IAS 32, 'Financial instruments: Presentation', on financial assets and liabilities offsetting, effective January 1, 2014. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

- Amendments to IFRS 10, 12 and IAS 27 – Exceptions from consolidation for investment entities, effective January 1, 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

2. Summary of significant accounting policies (Continued)

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

- Amendment to IAS 36, ‘Impairment of assets’ on recoverable amount disclosures for non-financial assets, effective January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39 ‘Financial instruments - Novation of derivatives and continuation of hedge accounting’, effective January 1, 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.

- IFRIC 21, ‘Levies’, effective January 1, 2014. This is an interpretation of IAS 37, ‘Provisions, contingent liabilities and contingent assets’. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

2.2.1 Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2014 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 on or after July 1, 2014:

- Amendments to IAS 19, ‘Employee benefits’ on defined benefit plans, effective July 1, 2014. This amendment clarifies the application of IAS 19, ‘Employee benefits’ (2011) - referred to as ‘IAS 19R’, to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions.

- 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’.

- 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.

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

- 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.

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

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, 2014 and have not been early adopted by the Company (Continued)

- 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'.

- 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 reporting'

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.

2.4 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. Summary of significant accounting policies (Continued)

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.

2.7 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. Summary of significant accounting policies (Continued)

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.

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. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.11 Reinsurance (Continued)

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.

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. Summary of significant accounting policies (Continued)

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.

2.23 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. Summary of significant accounting policies (Continued)

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.

2.27 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 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.

Premium deficiency reserve

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 (premium deficiency 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 premium deficiency reserve is recognised as an expense or income in the statement of insurance operations for the year.

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

	2014	2013
Insurance operations		
Cash in hand	**67,000**	67,000
Cash at banks	**210,911,334**	33,419,629
Time deposits	**-**	85,894,982
	210,978,334	119,381,611

	2014	2013
Shareholders' operations		
Cash at banks	**83,099,953**	86,366,117

Time deposits are placed with local and foreign banks with an original maturity of less than three months from the date of acquisition and earn financial income at an average rate of 0.75% to 0.9% (2013: 0.8% to 1.1%) per annum.

5. Premiums and insurance balances receivable - net

	2014	2013
Premiums receivable	**116,595,540**	91,589,538
Insurance and reinsurance receivable	**3,264,712**	1,563,971
	119,860,252	93,153,509
Less: allowance for doubtful debts	**(16,960,888)**	(14,044,610)
	102,899,364	79,108,899

Movement in the allowance for doubtful debts is as follows:

	2014	2013
At January 1,	**14,044,610**	12,734,504
Provision for the year (Note 20)	**2,916,278**	1,310,106
At December 31,	**16,960,888**	14,044,610

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
2014	**101,437,657**	**64,159,588**	**18,920,213**	**14,079,004**	**4,278,852**
2013	78,717,906	47,283,406	15,198,000	13,602,000	2,634,500

(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
2014	**1,461,707**	**259,592**	**379,390**	**140,128**	**682,597**
2013	390,993	-	-	-	390,993

Premiums insurance 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 387,832 (December 31, 2013: Saudi Riyals 1,239,945) 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 16.8% of the premiums receivable as at December 31, 2014 (2013: 16.5%). In addition, the five largest customers account for 44% of the premiums receivable as at December 31, 2014 (2013: 43%).

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,	
	2014	**2013**
At January 1,		
Unearned premiums	**145,330,381**	91,115,733
Reinsurers' share of unearned premiums	**(57,439,907)**	(44,284,121)
	87,890,474	46,831,612
Net premiums written during the year	**335,034,053**	193,392,489
Net premiums earned during the year	**(257,181,230)**	(152,333,627)
Changes in unearned premiums, net	**77,852,823**	41,058,862
At December 31,		
Unearned premiums	**284,701,356**	145,330,381
Reinsurers' share of unearned premiums	**(118,958,059)**	(57,439,907)
	165,743,297	87,890,474

(All amounts expressed in Saudi Riyals unless otherwise stated)

7. Outstanding claims

	2014		
	Gross	Reinsurers' share	Net
Claims			
Balance, beginning of the year	**(168,460,014)**	**105,122,990**	**(63,337,024)**
Claims paid during the year	**212,901,928**	**(35,743,480)**	**177,158,448**
Balance, end of the year	**334,174,041**	**(239,779,778)**	**94,394,263**
Claims incurred during the year	**378,615,955**	**(170,400,268)**	**208,215,687**
Analysis of outstanding claims			
At December 31,			
Balance, beginning of the year	**(168,460,014)**	**105,122,990**	**(63,337,024)**
Reported claims	**274,664,929**	**(211,844,820)**	**62,820,109**
Claims incurred but not reported (IBNR)	**59,509,112**	**(27,934,958)**	**31,574,154**
Changes in outstanding claims	**165,714,027**	**(134,656,788)**	**31,057,239**

	2013		
	Gross	Reinsurers' share	Net
Claims			
Balance, beginning of the year	(107,273,881)	46,153,014	(61,120,867)
Claims paid during the year	117,449,436	(22,239,744)	95,209,692
Balance, end of the year	168,460,014	(105,122,990)	63,337,024
Claims incurred during the year	178,635,569	(81,209,720)	97,425,849
Analysis of outstanding claims			
At December 31,			
Balance, beginning of the year	(107,273,881)	46,153,014	(61,120,867)
Reported claims	116,693,556	(74,467,322)	42,226,234
Claims incurred but not reported (IBNR)	51,766,458	(30,655,668)	21,110,790
Changes in outstanding claims	61,186,133	(58,969,976)	2,216,157

8. Deferred policy acquisition costs

	2014	2013
At January 1,	**12,050,405**	9,720,768
Incurred during the year	**39,491,994**	22,923,015
Amortized during the year	**(36,003,583)**	(20,593,378)
At December 31,	**15,538,816**	12,050,405

(All amounts expressed in Saudi Riyals unless otherwise stated)

9. Prepaid expenses and other assets

a) Insurance operations

	2014	2013
Prepaid rent	**871,403**	384,543
Prepaid fees	**1,580,431**	979,052
Advances	**2,538,458**	5,517,581
Deposits	**2,771,690**	4,645,690
Other assets	**2,634,729**	2,761,330
	10,396,711	14,288,196

b) Shareholders' operations

	2014	2013
Prepaid fees	**1,139,024**	-

10. Property and equipment

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**

(All amounts expressed in Saudi Riyals unless otherwise stated)

10. Property and equipment (Continued)

2013	**Computer equipment**	**Furniture, fixture and office equipment**	**Vehicles**	**Total**
Cost				
January 1, 2013	3,068,499	3,994,451	375,170	7,438,120
Additions	631,416	2,089,538	-	2,720,954
At December 31, 2013	3,699,915	6,083,989	375,170	10,159,074
Accumulated depreciation				
January 1, 2013	2,095,960	1,964,937	169,431	4,230,328
Charge for the year	533,672	785,439	76,955	1,396,066
At December 31, 2013	2,629,632	2,750,376	246,386	5,626,394
Net book amount				
December 31, 2013	1,070,283	3,333,613	128,784	4,532,680

11. Short-term deposits

Short-term deposits comprised of time deposits with banks with maturity periods of less than one year and more than three months from the date of acquisition. The rate of return on short-term deposits with various banks ranged from 0.75% to 0.9% per annum depending on tenor. These short-term deposits have matured during 2014.

12. Investments

Available-for-sale investments

Available-for-sale investments include the following:

	2014	**2013**
Quoted securities	**77,361,755**	51,218,620
Unquoted securities	**1,923,078**	3,223,078
	79,284,833	54,441,698

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

	2014	**2013**
At January 1,	**54,441,698**	58,300,506
Purchases	**91,661,000**	18,713,313
Disposals	**(32,121,266)**	(32,565,085)
Unrealized fair value changes	**(34,696,599)**	9,992,964
At December 31,	**79,284,833**	54,441,698

Gains realised on sale of available-for-sale investments during the year ended December 31, 2014 amounted to Saudi Riyals 41.9 million (2013: Saudi Riyals 25.7 million).

(All amounts expressed in Saudi Riyals unless otherwise stated)

12. Investments (Continued)

Held-to-maturity investments

Held-to-maturity investments represented fixed rate bonds that are traded in an interbank market within Saudi Arabia and values are determined according to such market. These fixed rate bonds carried a profit margin of 2.9% (2013: 2.9%). with a maturity period of 10 years (callable after 5 years - December 2014) and were recalled during 2014.

13. 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.

14. Accrued and other liabilities

a) Insurance operations

	2014	2013
Accrued expenses	**47,046,865**	29,283,978

b) Shareholders' operations

	2014	2013
Accrued expenses	**1,376,833**	1,326,764
Zakat and income tax (note 21)	**12,521,983**	6,023,206
Other payables	**1,081,279**	919,425
	14,980,095	8,269,395

15. Unearned reinsurance commission

	2014	2013
At January 1,	**5,501,830**	5,198,133
Commission received during the year	**22,754,137**	21,526,832
Commission earned during the year	**(19,247,111)**	(21,223,135)
At December 31,	**9,008,856**	5,501,830

16. End-of-service indemnities

	2014	2013
At January 1,	**3,059,264**	2,180,634
Charged during the year	**1,472,700**	1,277,378
Paid during the year	**(327,440)**	(398,748)
At December 31,	**4,204,524**	3,059,264

(All amounts expressed in Saudi Riyals unless otherwise stated)

17. Share capital

The authorized, issued and paid up share capital of the Company is Saudi Riyal 200 million at the year end consisting of 20 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. The Company is currently in the process of obtaining approval from the Capital Market Authority (CMA) after submission of information and documents specified by them. As a result of this rights issue, the share capital of the Company will increase to SR 400 million comprising of 40 million shares of SR 10 each in issued and fully paid up shares.

18. 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, 2014 and 2013.

19. 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,	
	2014	**2013**
Gross premium received from directors and their related parties	**7,559,072**	1,648,337
Gross premium received from key management personnel	**12,806**	11,298

Compensation of key management personnel of the Company:

	2014	**2013**
Short-term benefits	**3,687,704**	3,328,433
Employees' end-of-service indemnities	**920,216**	623,544
	4,607,920	3,951,977

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

	Year ended December 31,	
	2014	**2013**
Premiums receivable from key management personnel, directors and their related parties	**-**	125,767
Claims payable to directors and related parties	**(2,369,413)**	(567,763)

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.

(All amounts expressed in Saudi Riyals unless otherwise stated)

20. General and administrative expenses

a) Insurance operations

	Year ended December 31, 2014	2013
Provision for doubtful debts (Note 5)	**2,916,278**	1,310,106
Legal, regulatory and professional fees	**4,560,656**	3,442,874
Rent	**3,374,062**	3,144,537
Depreciation	**1,537,370**	1,396,066
Office supplies	**690,354**	615,900
Utilities	**1,315,494**	1,058,279
Marketing, advertising and promotion	**640,273**	811,909
Withholding tax	**1,113,775**	314,382
Training and education	**334,627**	598,847
Information technology	**312,982**	166,030
Other expenses	**1,247,380**	1,407,724
	18,043,251	14,266,654

b) Shareholders' operations

	Year ended December 31, 2014	2013
Employee related costs	**1,200,000**	1,200,000
Board members' fee	**773,234**	800,000
Other expenses	**15,000**	38,500
	1,988,234	2,038,500

21. 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.

(ii) Components of zakat base

The principal elements of approximate zakat base are as follows:

	2014	2013
Shareholders' equity	**137,743,405**	149,041,511
Non-current liabilities	**18,709,119**	15,509,714
Non-current assets	**(6,709,267)**	(7,319,742)
Approximate zakat base	**149,743,257**	157,231,483

(All amounts expressed in Saudi Riyals unless otherwise stated)

21. Zakat and income tax matters (Continued)

(iii) Movements in provision for zakat and income tax

Movements in provision for zakat and income tax as at December 31, 2014 and 2013 are as follows:

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**

2013	**Zakat**	**Income tax**	**Total**
At January 1,	5,019,636	195,852	5,215,488
Payments	(1,802,032)	(390,250)	(2,192,282)
Provision for the year	2,575,000	425,000	3,000,000
At December 31,	5,792,604	230,602	6,023,206

Deferred income taxes arising out of the temporary differences were not significant and, accordingly, were not recorded as of December 31, 2014 and 2013.

(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, 2013 and obtained the required certificate from the DZIT.

22. Segmental reporting

For management purposes, the Company is organized into business segments classified as: Medical, Motor, property and others. Others include engineering, fire, 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, due to shareholders' operations, end-of-service indemnities and insurance operations' surplus; and

- Operating segments do not include shareholders' operations.

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

(All amounts expressed in Saudi Riyals unless otherwise stated)

22. 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**	**163,971,442**	**6,812,181**	**4,535,510**	**33,448,802**	**257,181,230**
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)**	**(159,000,214)**	**(4,783,889)**	**(5,449,731)**	**(13,690,602)**	**(208,215,687)**
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 deficit 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**	**128,961,537**	**58,829,595**	**50,786,752**	**22,961,703**	**284,701,356**
Outstanding claims	**8,655,970**	**62,085,216**	**201,162,771**	**46,244,656**	**16,025,428**	**334,174,041**
Unearned reinsurance commission	**-**	**-**	**3,523,660**	**4,949,834**	**535,362**	**9,008,856**
Unallocated liabilities and surplus						**77,551,133**
Total insurance operations' liabilities and surplus						**705,435,386**

(All amounts expressed in Saudi Riyals unless otherwise stated)

22. Segmental reporting (Continued)

Insurance operations for the year ended December 31, 2013:

2013	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Gross premiums written	44,508,962	106,830,833	122,196,882	28,970,362	44,683,867	347,190,906
Net premiums written	44,508,962	105,820,676	4,399,074	3,926,378	34,737,399	193,392,489
Net premiums earned	42,630,551	70,320,395	3,828,438	3,195,031	32,359,212	152,333,627
Reinsurance commission	7,585,093	202,028	8,621,795	4,587,751	226,468	21,223,135
Other underwriting income	-	42,889	9,730	4,440	39,094	96,153
Net claims incurred	(18,539,796)	(63,226,084)	(7,347,469)	(8,187)	(8,304,313)	(97,425,849)
Other underwriting expenses	(7,263,265)	(11,583,605)	(3,924,981)	(2,839,037)	(5,654,318)	(31,265,206)
Unallocated expenses						(45,100,719)
Deficit from insurance operations						(138,859)
Commission income on bank deposits						401,117
Net surplus from insurance operations						262,258

Insurance operations' financial position as of December 31, 2013:

2013	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	37,607,395	9,112,591	10,719,921	57,439,907
Reinsurers' share of outstanding claims	1,254,506	775,866	60,642,848	38,806,430	3,643,340	105,122,990
Deferred policy acquisition costs	4,940,066	3,394,692	1,308,141	956,861	1,450,645	12,050,405
Unallocated assets						217,346,061
Total insurance operations' assets						391,959,363
Insurance operations' liabilities and surplus						
Unearned premiums	24,320,257	53,811,224	38,712,029	10,087,632	18,399,239	145,330,381
Outstanding claims	11,714,321	36,262,609	65,870,243	42,124,192	12,488,649	168,460,014
Unearned reinsurance commission	219,998	-	3,145,644	1,770,772	365,416	5,501,830
Unallocated liabilities						72,667,138
Total insurance operations' liabilities and surplus						391,959,363

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 reinsurance assets/ liabilities which are held outside the Kingdom of Saudi Arabia.

23. Risk management

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing 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.

23. 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 0.5 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 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)

23. Risk management (Continued)

Reinsurance risk (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 73% of the maximum credit exposure at December 31, 2014 (2013: 93%).

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:

	2014			
	Gross outstanding claims	**Net outstanding claims**	**Gross unearned premiums**	**Net unearned premiums**
Medical	**3%**	**9%**	**8%**	**14%**
Motor	**19%**	**65%**	**45%**	**78%**
Property	**60%**	**7%**	**21%**	**1%**
Engineering	**14%**	**6%**	**18%**	**1%**
Other	**4%**	**13%**	**8%**	**6%**
	100%	**100%**	**100%**	**100%**

	2013			
	Gross outstanding claims	**Net outstanding claims**	**Gross unearned premiums**	**Net unearned premiums**
Medical	7%	17%	17%	28%
Motor	22%	56%	37%	61%
Property	39%	8%	27%	1%
Engineering	25%	5%	7%	1%
Other	7%	14%	12%	9%
	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)

23. 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	
	2014	**2013**	**2014**	**2013**
Impact of change in claim liabilities by +10				
Medical	**(832,371)**	(1,045,982)	**(811,562)**	(1,019,832)
Motor	**(6,091,313)**	(3,548,674)	**(5,939,030)**	(3,459,957)
Property	**(700,016)**	(522,740)	**(682,516)**	(509,672)
Engineering	**(568,421)**	(331,776)	**(554,210)**	(323,482)
Other	**(1,247,306)**	(884,531)	**(1,216,123)**	(862,418)
	(9,439,427)	(6,333,703)	**(9,203,441)**	(6,175,361)

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Risk management (Continued)

Sensitivity analysis (Continued)

	Shareholders' net income		Shareholders' equity	
	2014	**2013**	**2014**	**2013**
Impact of change in claim liabilities by -10				
Medical	**832,371**	1,045,982	**811,562**	1,019,832
Motor	**6,091,313**	3,548,674	**5,939,030**	3,459,957
Property	**700,016**	522,740	**682,516**	509,672
Engineering	**568,421**	331,776	**554,210**	323,482
Other	**1,247,306**	884,531	**1,216,123**	862,418
	9,439,427	6,333,703	**9,203,441**	6,175,361

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**	**Total**
Estimate of ultimate claims cost:						
At the end of accident year	-	113,443,470	108,168,145	170,254,549	395,301,174	
One year later	-	111,925,190	96,341,665	204,940,167	-	
Two year later	-	109,197,961	117,903,649	-	-	
Three year later		140,214,864	-	-	-	
Reserve in respect to prior years	171,545,602	-	-	-	-	
Current estimate of cumulative claims	171,545,602	140,214,864	117,903,649	204,940,167	395,301,174	1,029,905,456
Cumulative payments to date	(169,502,720)	(131,825,181)	(112,177,352)	(140,023,077)	(142,203,085)	(695,731,415)
Liability recognized in statement of financial position	2,042,882	8,389,683	5,726,297	64,917,090	253,098,089	334,174,041

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)

23. 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 44% of the receivables as at December 31, 2014 (2013: 43%).

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 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, 2014 is Saudi Riyals 762 million (December 31, 2013: Saudi Riyals 526 million).

The table below shows the components of the statement of financial position of the Company at December 31, 2014 and 2013 exposed to credit risk:

	2014	2013
Insurance operations’ assets		
Cash and cash equivalents	**210,978,334**	119,381,611
Premiums and insurance balances receivable	**119,860,252**	93,153,509
Reinsurers’ share of outstanding claims	**239,779,778**	105,122,990
Accrued commission income	**74,063**	34,675
Other assets	**7,944,877**	12,924,601
	578,637,304	330,617,386
Shareholders' assets		
Cash and cash equivalents	**83,099,953**	86,366,117
Short-term deposits	**-**	26,983,859
Accrued commission income	**1,081,279**	939,190
Available-for-sale investments	**79,284,833**	54,441,698
Held-to-maturity investments	**-**	6,500,000
Statutory deposit	**20,000,000**	20,000,000
	183,466,065	195,230,864
Total	**762,103,369**	525,848,250

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)

23. Risk management (Continued)

Credit risk (Continued)

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**

Insurance operations' financial assets as at December 31, 2013

		Non-investment grade		
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	119,314,611	67,000	-	119,381,611
Premiums and insurance balances receivable	-	47,283,406	45,870,103	93,153,509
Reinsurers' share of outstanding claims	-	105,122,990	-	105,122,990
Accrued commission income	-	34,675	-	34,675
Other assets	-	12,924,601	-	12,924,601
	119,314,611	165,432,672	45,870,103	330,617,386

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	79,284,833	-	-	**79,284,833**
Statutory deposit	20,000,000	-	-	**20,000,000**
	183,466,065	-	**-**	**183,466,065**

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Risk management (Continued)

Credit risk (Continued)

Shareholders' financial assets as at December 31, 2013

	Investment grade	Non-investment grade Satisfactory	Non-investment grade Past due but not impaired	Total
Cash and cash equivalents	86,366,117	-	-	86,366,117
Short-term deposits	26,983,859	-	-	26,983,859
Accrued commission income	939,190	-	-	939,190
Available-for-sale investments	54,441,698	-	-	54,441,698
Held-to-maturity investments	6,500,000	-	-	6,500,000
Statutory deposit	20,000,000	-	-	20,000,000
	195,230,864	-	-	195,230,864

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, 2014 and 2013. 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, 2014

	Less than 12 months	**More than 12 months**	**Total**
Insurance operations' financial liabilities			
Outstanding claims	**334,174,041**	**-**	**334,174,041**
Accrued expenses and other liabilities	**47,046,865**	**-**	**47,046,865**
Reinsurance balances payables	**24,152,298**	**-**	**24,152,298**
End-of-service indemnities	**-**	**4,204,524**	**4,204,524**
Total insurance operations' financial liabilities	**405,373,204**	**4,204,524**	**409,577,728**
Shareholders' financial liabilities			
Accrued expenses and other liabilities	2,458,112	-	**2,458,112**
Total shareholders' financial liabilities	**2,458,112**	**-**	**2,458,112**

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Risk management (Continued)

Liquidity risk (Continued)

As at December 31, 2013

	Less than 12 months	More than 12 months	Total
Insurance operations' financial liabilities			
Outstanding claims	168,460,014	-	168,460,014
Accrued expenses and other liabilities	29,283,978	-	29,283,978
Reinsurance balances payable	18,361,378	-	18,361,378
End-of-service indemnities	-	3,059,264	3,059,264
Total insurance operations' financial liabilities	216,105,370	3,059,264	219,164,634
Shareholders' financial liabilities			
Accrued expenses and other liabilities	2,246,189	-	2,246,189
Total shareholders' financial liabilities	2,246,189	-	2,246,189

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, 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	**334,174,041**	**-**	**334,174,041**
Accrued expenses and other liabilities	**47,046,865**	**-**	**47,046,865**
Reinsurance balances payables	**24,152,298**	**-**	**24,152,298**
End-of-service indemnities	**-**	**4,204,524**	**4,204,524**
Total insurance operations' financial liabilities	**405,373,204**	**4,204,524**	**409,577,728**

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Risk management (Continued)

Maturity profiles (Continued)

As at December 31, 2013

	Up to one year	More than one year	Total
Insurance operations' financial assets			
Cash and cash equivalents	119,381,611	-	119,381,611
Premiums and insurance balances receivable	93,153,509	-	93,153,509
Reinsurers' share of outstanding claims	105,122,990	-	105,122,990
Accrued commission income	34,675	-	34,675
Other assets	12,924,601	-	12,924,601
Total insurance operations' financial assets	330,617,386	-	330,617,386
Insurance operations' financial liabilities			
Outstanding claims	168,460,014	-	168,460,014
Accrued expenses and other liabilities	29,283,978	-	29,283,978
Reinsurance balances payable	18,361,378	-	18,361,378
End-of-service indemnities	-	3,059,264	3,059,264
Total insurance operations' financial liabilities	216,105,370	3,059,264	219,164,634

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**

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Risk management (Continued)

Maturity profiles (Continued)

As at December 31, 2013

	Up to one year	More than one year	Total
Shareholders' financial assets			
Cash and cash equivalents	86,366,117	-	86,366,117
Short term deposits	26,983,859	-	26,983,859
Accrued commission income	939,190	-	939,190
Available-for-sale investments	54,441,698	-	54,441,698
Held-to-maturity investments	-	6,500,000	6,500,000
Statutory deposit	-	20,000,000	20,000,000
Total shareholders' financial assets	168,730,864	26,500,000	195,230,864
Shareholders' financial liabilities			
Accrued expenses and other liabilities	2,246,189	-	2,246,189
Total shareholders' financial liabilities	2,246,189	-	2,246,189

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.

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on its time deposits, short-term deposit, available-for-sale and held-to-maturity investments. The Company limits commission rate risk by monitoring changes in commission rates. The Company does not have any interest bearing liabilities.

The effective commission rates of the Company's investments and their maturities as at December 31, 2014 was 1.1% (2013: 1.1%).

There is no significant difference between contractual re-pricing and maturity dates. All commission bearing financial instruments as at the year-end have a maturity of less than 1 year except for investment in bonds.

The following table demonstrates the sensitivity of statements of shareholders' comprehensive operations and shareholders' equity to reasonably possible change in commission rates of the Company's deposits, with all other variables held constant:

Currency	**Change in variable**	**Impact on net income**	
		2014	**2013**
Saudi Riyals	+10 basis points	**9,036**	11,946
Saudi Riyals	-10 basis points	**(9,036)**	(11,946)

(All amounts expressed in Saudi Riyals unless otherwise stated)

23. Risk management (Continued)

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, 2014 amounting to SR 77.4 million (2013: Saudi Riyals 51.2 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, 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)**
December 31, 2013	51,218,620	10% increase	56,340,482	5,121,862	4,993,815
		10% decrease	(56,340,482)	(5,121,862)	(4,993,815)

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, 2014 is 50% (2013: 75%) of the required margin of solvency.

Seasonality of operations

There are no seasonal changes that affect insurance operations.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. 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

	2014	2013
Financial assets		
Cash and cash equivalents	**210,978,334**	119,381,611
Premiums and insurance balances receivable	**119,860,252**	93,153,509
Reinsurers' share of outstanding claims	**239,779,778**	105,122,990
Accrued commission income	**74,063**	34,675
Other assets	**7,944,877**	12,924,601
	578,637,304	330,617,386
Financial liabilities		
Outstanding claims	**334,174,041**	168,460,014
Accrued expenses and other liabilities	**47,046,865**	29,283,978
Reinsurance balances payable	**24,152,298**	18,361,378
End-of-service indemnities	**4,204,524**	3,059,264
	409,577,728	219,164,634

b) Shareholders' operations

	2014	2013
Financial assets		
Cash and cash equivalents	**83,099,953**	86,366,117
Short term deposits	**-**	26,983,859
Accrued commission income	**1,081,279**	939,190
Available-for-sale investments	**79,284,833**	54,441,698
Held-to-maturity investments	**-**	6,500,000
Statutory deposit	**20,000,000**	20,000,000
	183,466,065	195,230,864
Financial liabilities		
Accrued expenses and other liabilities	**2,458,112**	2,246,189
	2,458,112	2,246,189

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.

(All amounts expressed in Saudi Riyals unless otherwise stated)

24. Fair value of financial instruments (Continued)

The table below presents the financial instruments at their fair values as at December 31, 2014 and 2013 based on the fair value hierarchy:

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**
Held-to-maturity investments				
Debt securities	-	-	-	**-**
Total	**77,361,755**	**-**	**1,923,078**	**79,284,833**

As at December 31, 2013	Level 1	Level 2	Level 3	Total fair value
Financial instruments				
Available-for-sale investments				
Equity securities	51,218,620	-	3,223,078	54,441,698
Held-to-maturity investments				
Debt securities	-	6,500,000	-	6,500,000
Total	51,218,620	6,500,000	3,223,078	60,941,698

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

25. Earnings per share

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

26. 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.

27. Comparative figures

Certain of the comparative year amounts have been reclassified to conform with the presentation in the current year, the effects of which are not material.

28. Approval of the financial statements

The financial statements have been approved by the Board of Directors on February 18, 2015.