AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Financial Statements and Independent Auditors' Report
For the Year Ended 31 December 2015

INDEX

KPMG Al Fozan & Partners
Certified Public Accountants

PKF Al-Bassam & Al-Nemer
Allied Accountants

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of Al Alamiya for Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015, the related statements of comprehensive income - insurance and shareholders' operations, statement of changes in shareholders' equity, statements of cash flows - insurance and shareholders' operations for the year then ended and the notes from 1 to 26 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and the Company's by-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION

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

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

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

EMPHASIS OF MATTER

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

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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2015 SR	2014 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	**27,070,207**	60,891,348
Term deposits	6	**149,466,089**	54,195,859
Investments	7(a)	**1,923,079**	1,923,079
Premiums and insurance balances receivable	9	**85,811,649**	82,154,784
Due from related parties	23	**3,412,297**	2,052,914
Due from shareholders' operations		**51,633,383**	77,577,490
Reinsurers' share of unearned premiums	10(a)	**56,783,251**	70,004,884
Reinsurers' share of outstanding claims	10(d)	**157,125,580**	395,362,988
Deferred policy acquisition costs	10(b)	**5,502,871**	6,136,160
Prepayments and other assets	11	**2,316,428**	7,978,400
Property and equipment	13	**206,527**	1,259,082
TOTAL INSURANCE OPERATIONS' ASSETS		**541,251,361**	759,536,988
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	**2,709,224**	12,476,575
Term deposits	6	**230,543,775**	100,220,075
Investments	7(b)	**89,586,973**	40,624,123
Other assets	11	**1,949,425**	424,271
Statutory deposit	12	**40,966,547**	20,000,000
TOTAL SHAREHOLDERS' ASSETS		**365,755,944**	173,745,044
TOTAL INSURANCE OPERATIONS AND SHAREHOLDERS' ASSETS		**907,007,305**	933,282,032

Khalid Allagany
Chief Executive Officer

Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December

	Notes	*2015* *SR*	*2014* *SR*
INSURANCE OPERATIONS' LIABILITIES AND SURPLUS			
Gross outstanding claims	10(d)	**260,154,226**	471,947,554
Gross unearned premiums	10(a)	**158,389,000**	151,161,351
Accounts payable		**3,742,945**	6,060,301
Reinsurance balances payable		**69,980,765**	76,900,309
Due to related parties	23	**3,486,684**	2,987,938
Accrued expenses and other liabilities	14	**25,942,199**	30,278,830
Unearned reinsurance commission	10(c)	**7,033,385**	10,654,878
Employees' end of service benefits		**9,151,478**	9,057,826
TOTAL INSURANCE OPERATIONS' LIABILITIES		**537,880,682**	759,048,987
INSURANCE OPERATIONS' SURPLUS			
Accumulated surplus		**3,370,679**	488,001
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		**541,251,361**	759,536,988
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Due to insurance operations		**51,633,383**	77,577,490
Due to a related party	23	**1,061,027**	1,058,354
Accrued expenses and other liabilities	14	**20,596,440**	12,299,691
TOTAL SHAREHOLDERS' LIABILITIES		**73,290,850**	90,935,535
SHAREHOLDERS' EQUITY			
Share capital	17	**400,000,000**	200,000,000
Fair value reserve for available for sale investments	8	**(1,285,861)**	(384,982)
Accumulated losses		**(106,249,045)**	(116,805,509)
TOTAL SHAREHOLDERS' EQUITY		**292,465,094**	82,809,509
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**365,755,944**	173,745,044
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		**907,007,305**	933,282,032

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STATEMENT OF COMPREHENSIVE INCOME – INSURANCE OPERATIONS

For the year ended 31 December

	Notes	*2015* *SR*	*2014* *SR*
Gross written premiums	10(a)	**402,031,766**	335,198,886
Less: Reinsurance premium ceded	10(a)	**(136,867,211)**	(151,907,802)
Excess of loss premiums	10(a)	**(9,865,493)**	(11,546,168)
NET WRITTEN PREMIUMS		**255,299,062**	171,744,916
Changes in unearned premiums		**(7,227,649)**	(12,413,368)
Changes in reinsurers' share of unearned premiums		**(13,221,633)**	883,084
NET PREMIUMS EARNED		**234,849,780**	160,214,632
Gross claims paid	10(d)	**(449,590,140)**	(312,278,853)
Reinsurers' share of gross claims paid	10(d)	**336,019,937**	180,911,149
Changes in outstanding claims		**(238,237,408)**	(201,003,942)
Changes in reinsurers' share of outstanding claims		**211,793,328**	191,555,761
NET CLAIMS INCURRED		**(140,014,283)**	(140,815,885)
Policy acquisition costs	10(b)	**(24,199,540)**	(15,195,720)
Reinsurance commission income	10(c)	**23,222,411**	24,625,957
Other underwriting expenses		**(2,049,000)**	(1,701,891)
NET UNDERWRITING SURPLUS		**91,809,368**	27,127,093
General and administrative expenses	20	**(63,657,495)**	(55,929,161)
Investment income		**448,575**	551,200
Other income / (expenses)		**226,337**	(5,978)
INSURANCE OPERATIONS' SURPLUS / (DEFICIT)		**28,826,785**	(28,256,846)
Shareholders' appropriation from insurance operations' (surplus)/ deficit	2(a)	**(25,944,107)**	28,256,846
NET INSURANCE OPERATIONS' SURPLUS FOR THE YEAR		**2,882,678**	--
OTHER COMPREHENSIVE INCOME		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,882,678**	--

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The accompanying notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS' OPERATIONS
For the year ended 31 December

	Notes	*2015 SR*	*2014 SR*
INCOME			
Shareholders' appropriation from insurance operations' surplus/ (deficit)	2(a)	**25,944,107**	(28,256,846)
Investment income		**3,104,242**	1,555,972
General and administrative expenses	20	**(1,772,352)**	(1,409,917)
NET INCOME/ (LOSS) FOR THE YEAR		**27,275,997**	(28,110,791)
OTHER COMPREHENSIVE INCOME			
Items will be reclassified subsequently to income statement when conditions are met in future:			
Change in fair value of available for sale investments	8	**(900,879)**	(593,671)
TOTAL COMPREHENSIVE INOME/ (LOSS) FOR THE YEAR		**26,375,118**	(28,704,462)
BASIC AND DILUTED EARNING / (LOSS) PER SHARE FOR THE YEAR – RESTATED	18	**0.69**	(0.77)
WEIGHTED AVERAGE NUMBER OF OUTSTANDINGS SHARES – RESTATED	18	**39,742,857**	36,400,000

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015 and 2014

		Share Capital SR	*Fair value reserve for available for sale investments SR*	*Accumulated losses SR*	*Total SR*
Balance at 1 January 2014		200,000,000	208,689	(87,101,785)	113,106,904
Net loss for the year		--	--	(28,110,791)	(28,110,791)
Other comprehensive income:					
Net change in fair value of available for sale investments		--	(593,671)	--	(593,671)
Total comprehensive loss		--	(593,671)	(28,110,791)	(28,704,462)
Zakat and income tax	- *(note 16d)*	--	--	(1,592,933)	(1,592,933)
Balance as at 31 December 2014		200,000,000	(384,982)	(116,805,509)	82,809,509
Balance at 1 January 2015		**200,000,000**	**(384,982)**	**(116,805,509)**	**82,809,509**
Net profit for the year		--	--	**27,275,997**	**27,275,997**
Other comprehensive income:					
Change in fair value of available for sale investments		--	**(900,879)**	--	**(900,879)**
Total comprehensive (loss) / income		--	**(900,879)**	**27,275,997**	**26,375,118**
Rights issue	- *note 17*	**200,000,000**	--	--	**200,000,000**
Rights issue transaction costs	- *note 17*	--	--	**(9,144,643)**	**(9,144,643)**
Zakat and income tax	- *note 16(d)*	--	--	**(7,574,890)**	**(7,574,890)**
Balance as at 31 December 2015		**400,000,000**	**(1,285,861)**	**(106,249,045)**	**292,465,094**

Khalid Allagany
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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASHFLOWS – INSURANCE OPERATIONS
For the year ended 31 December

	Note	2015 SR	2014 SR
OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		**2,882,678**	--
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:			
Depreciation	13	**1,137,762**	725,474
Employees' end of service benefits		**1,878,786**	2,027,768
Provision for doubtful debt		**3,154,787**	328,985
Operating cash inflows before changes in operating assets and liabilities		**9,054,013**	3,082,227
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		**(6,811,652)**	(5,310,589)
Due from related parties		**(1,359,383)**	(795,976)
Due from shareholders' operations		**25,944,107**	(28,256,846)
Reinsurers' share of outstanding claims		**238,237,408**	201,003,942
Prepayments and other assets		**5,661,972**	(2,974,706)
Reinsurers' share of unearned premiums		**13,221,633**	(883,084)
Deferred policy acquisition costs		**(11,130,595)**	(108,352)
Gross outstanding claims		**(211,793,328)**	(191,555,761)
Gross unearned premiums		**7,227,649**	12,413,368
Accounts payable		**(2,317,356)**	2,291,020
Reinsurance balances payable		**(6,919,544)**	987,800
Due to related parties		**498,746**	(166,027)
Accrued expenses and other liabilities		**(4,336,631)**	2,503,206
Unearned reinsurance commission income		**8,142,391**	1,774,678
Cash from/ (used in) operations		**63,319,430**	(5,995,100)
Employees' end of service benefits paid		**(1,785,134)**	(2,165,317)
Net cash from/ (used in) operating activities		**61,534,296**	(8,160,417)
INVESTING ACTIVITY			
Purchase of property and equipment	13	**(85,207)**	(1,129,100)
Term deposits		**(95,270,230)**	29,718,591
Net cash (used in)/ from investing activity		**(95,355,437)**	28,589,491
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(33,821,141)**	20,429,074
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**60,891,348**	40,462,274
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	**27,070,207**	60,891,348

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AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS – SHAREHOLDERS' OPERATIONS

For the year ended 31 December

	Note	*2015* *SR*	*2014* *SR*
OPERATING ACTIVITIES			
Net Income/ (loss) for the year		**27,275,997**	(28,110,791)
Operating cash flows before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Other assets		**(1,525,154)**	564
Due to a related party		**2,673**	--
Due to insurance operations		**(25,944,107)**	28,256,846
Accrued expenses and other liabilities		**721,859**	777,106
Statutory deposit		**(20,966,547)**	--
		(20,435,279)	923,725
INVESTING ACTIVITIES			
Term deposits		**(130,323,700)**	15,407,127
Investments		**(49,863,729)**	(13,813,169)
Net cash (used in)/ from investing activities		**(180,187,429)**	1,593,958
FINANCING ACTIVITIES			
Proceeds from rights issue	17	**200,000,000**	--
Transactions costs relating to right issues	17	**(9,144,643)**	--
Net cash from financing activities		**190,855,357**	--
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(9,767,351)**	2,517,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**12,476,575**	9,958,892
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	5	**2,709,224**	12,476,575

Non-cash transactions:

Net change in fair value of available for sale investments		**(900,879)**	(593,671)

Khalid Allagany
Chief Executive Officer

Fadi Aboul Hosn
Chief Financial Officer

The accompanying notes 1 to 26 form an integral part of these financial statements.

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Al Alamiya for Cooperative Insurance Company ("the Company") is a Saudi joint stock company registered on 29 Dhu-al Qu'dah, 1430H (17 November 2009) under commercial registration (CR) number 4030194978. The registered head office of the Company is in Riyadh under CR number of 1010287831 with branches in Jeddah (CR 4030194978) and Khobar (CR 2051042939).

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law on Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia. On 26 Dhu Al Hijjah, 1430H (13 December 2009), the Company received the license from Saudi Arabian Monetary Agency ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia.

The registered office address of the Company is at Prince Mohammed bin Abdul Aziz Road, Home Centre Building, P.O. Box: 6393, Riyadh 11442, Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

a) Statement of compliance

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

As required by Saudi Arabian Insurance Regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. The physical custody 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 other revenue and expenses from joint operations is determined by the management and Board of Directors.

The Company is required to distribute 10% of the net surplus from insurance operations to policyholders and the remaining 90% to be allocated to the shareholders of the Company in accordance with the Insurance Law and Implementation Regulations issued by the Saudi Arabian Monetary Agency ("SAMA"). Any deficit arising on insurance operations is transferred to the shareholders' operations in full.

b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for the measurement at fair value of available for sale investments.

c) Functional and presentational currency

The financial statements have been presented in Saudi Riyals, which is the functional currency of the Company.

2 BASIS OF PREPARATION (continued)

d) Critical accounting judgments, estimates and assumptions

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims Incurred But Not Reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the end of reporting date, for which the insured event has occurred prior to the end of reporting date. The Company uses the services of an independent actuary in the valuation of IBNR as well as premium deficiency reserves.

(ii) Impairment on premiums and insurance balances receivable

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that considers past-due status being indicative of the ability to pay all amounts due as per contractual terms.

(iii) Deferred policy acquisition costs

Certain acquisition costs related to writing or renewal of new policies are recorded as deferred acquisition costs and are amortised over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment.

(iv) Impairment of available for sale financial assets

The Company determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations. In the current year, the Company has applied number of amendments to IFRS and new interpretations issued by International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after 1 January 2015. These have not has any material impact on the Company.

a) Amendments to existing standards

- Amendments to IAS 19 applicable for annual periods beginning on or after 1 July 2014 is applicable to defined benefit plans involving contribution from employees and / or third parties. This provides relief, based on meeting certain criteria's, from the requirements proposed in the amendments of 2011 for attributing employee / third party contributions to periods of service under the plan benefit formula or on a straight line basis. The current amendment gives an option, if conditions satisfy, to reduce service cost in period in which the related service is rendered.

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

  IFRS 1 - "first time adoption of IFRS": the amendment clarifies that a first time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early adoption.

  IFRS 2 amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

  IFRS 3 - "business combinations" amended to clarify the classification and measurement of contingent consideration in a business combination. It has been further amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11.

  IFRS 8 - "operating segments" has been amended to explicitly require disclosure of judgments made by management in applying aggregation criteria..

  IFRS 13 has been amended to clarify measurement of interest free short term receivables and payables at their invoiced amount without discounting, if the effect of discounting is immaterial. It has been further amended to clarify that the portfolio exception potentially applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

  IAS 16 - "Property plant and equipment" and IAS 38 - "intangible assets": - the amendments clarify the requirements of revaluation model recognizing that the restatement of accumulated depreciation (amortisation) is not always proportionate to the change in the gross carrying amount of the asset.

  IAS 24 - "related party disclosures"- the definition of a related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or indirectly.IAS 40 - "investment property" clarifies that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition constitutes a business combination.

Standards issued but not yet effective

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

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

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. However, on 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018. IASB is considering to defer the effective date of IFRS 9 for specified entities that issue contracts within the scope of IFRS 4 until the new insurance contracts standard is applied.

Annual improvements to IFRSs 2012 – 2014

Annual improvements to IFRSs 2012 – 2014 cycle applicable to annual period beginning on or after 1 January 2016.

Disclosure initiative (Amendments to IAS 1)

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgments in presenting the financial reports. It is effective for annual periods beginning on or after 1 January 2016.

The following new or amended standards are not expected to have significant impact on the financial statements.

- IFRS 15 Revenue from contracts with customers
- Agriculture: Bearer Plants (Amendment to IAS 16 and 41)
- IFRS 14 Regulatory deferral aaccounts.
- Accounting for acquisition of Interest in Joint Operations (Amendment to IFRS 11)
- Classification of acceptable methods of depreciation and amortization (Amendment to IAS 16 and IAS38)
- Equity method in separate financial statements (Amendment to IAS 27)
- Sales or contribution of Assets between Investor and its Associate or Joint Venture (Amendment to IFRS 10 and IAS28)
- Annual improvements to IFRSs 2012 - 2014 Cycle - various standards
- Investment Entities: Applying the consolidation exceptions (Amendment to IFRS 10, IFRS 12, IAS 28)
- Disclosure initiative (Amendment to IAS 1).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparation of these financial statements:

a) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less at the date of acquisition.

b) Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*c) **Investments***

All investments excluding those held at fair value through profit and loss (if any) are initially recognised at cost, being the fair value of the consideration given including transaction cost associated with the investment.

Available for sale investments ("AFS")
Available for sale investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at fair value through income statement. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial investments are subsequently measured at fair value.

Return on investments is recognised on an effective yield method. Profit or loss on sale of investments is recognised at the time of sale. Dividend income is recognised when right to receive such dividend is established.

Unrealised gains and losses are recognised directly in equity (through other comprehensive income) captioned under 'fair value reserve for available for sale investment'. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income – shareholders operations.

Any significant or prolonged decline in value of investments is adjusted for and reported in the statement of comprehensive income – shareholders' operations, as impairment charges. Fair values of investments are based on quoted prices for marketable securities or estimated fair values. The fair value of profit rate-bearing items is estimated based on discounted cash flows using profit rates for items with similar terms and risk characteristics.

*d) **Revenue recognition***

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premium is taken to the statement of income - insurance operations in the same order that revenue is recognised over the period of risk.

Retained premiums, which relate to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on the following methods:

- Last three months of the period-end, in respect of marine cargo
- Actual number of days for other lines of business

*e) **Claims***

These include the cost of claims and claims handling expenses paid during the period, together with the movements in provisions for outstanding claims, claims incurred but not reported (IBNR) and claims handling provisions. Total outstanding claims comprise estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date, net of salvage and other recoveries including claims handling expenses.

The Company estimates its claims provisions based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company's prior experience, is maintained for Incurred But Not Reported ('IBNR') claims as well as for the cost of settling pending claims at the statement of financial position date. The IBNR amount is based on estimates calculated using widely accepted actuarial techniques such as Chain Ladder, Bornhuetter Ferguson Method and loss ratio which are reviewed at regular intervals by the company's independent actuary. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. Regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating provisions are that past experience is a reasonable predictor of likely future claims development and that the rating and business portfolio assumptions are a fair reflection of the likely level of ultimate claims to be incurred for the more recent years.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Claims (Continued)

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately. The Company does not discount its liabilities for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

f) Liability adequacy test

At each end of reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contracts liabilities net of related deferred policy acquisition costs using current estimates of future cash flows under insurance contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of income - insurance operations initially by writing off related deferred policy acquisition costs and subsequently by establishing a provision for losses arising from liability adequacy test ("premium deficiency reserve"). The Company estimates premium deficiency reserves based on an independent actuarial valuation.

g) Receivables

Premium and insurance receivables balance are recognized as receivable when due and are measured on initial recognition at the fair value of the consideration received or receivables. The carrying value of 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 comprehensive income - insurance operation. Premium and insurance balance receivables are derecognized when the de-recognition criteria for financial assets have been met.

h) Unearned commission

Commission receivable on outwards reinsurance contracts is deferred and amortised over the terms of the insurance contracts to which it relates. Amortisation is recorded in the statement of income - insurance operations.

i) Property and equipment

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value is depreciated on a straight line basis over the estimated useful life as follows:

	Years
Furniture, fixtures and office equipment	3
Motor vehicles	3

The assets' residual values and useful lives are reviewed at each financial position date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from disposal of property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the related property and equipment and are recognised in the statement of income - insurance operations when the related property and equipment is disposed.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Reinsurance

The Company cedes insurance risk in the normal course of business for a portion of its businesses. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' financial position representing premiums due to or payments due from reinsurers and the share of losses recoverable from reinsurers. Amounts receivable from reinsurance is estimated in a manner consistent with the claim liability associated with the insured parties. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income - insurance operations. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

k) Deferred policy acquisition costs (DPAC)

DPAC are those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts that are deferred to the extent that those costs are recoverable out of future premiums. All other policy acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the term of expected future premiums. Amortisation is recorded in the statement of income - insurance operations. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

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

l) Zakat and income tax

In accordance with the regulations of the Department of Zak.at 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 changes in shareholders' equity. 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 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.

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.

m) Provisions

A provision for incurred liabilities is recognised when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Foreign currencies

Transactions in foreign currencies are initially recorded at the spot exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot exchange rate at the reporting date. All differences arising on non–trading activities are taken to the statement of income - insurance operations. Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

As the Company's foreign currency transactions are primarily in US dollar, which is pegged against Saudi Riyals, therefore foreign exchange gains and losses are not significant and have not been disclosed separately.

o) 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.

p) Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, an impairment loss is recognised in the statement of comprehensive income - insurance operations or statement of comprehensive income - shareholders' operations. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income of insurance or shareholders' operations;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - adverse changes in the payment status of issuers or debtors in the Company; or
  - national or local economic conditions at the country of the issuers that correlate with defaults on the assets.

q) Derecognition of financial instruments

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, land – are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

s) Employees' end of service benefits

Employees' end of service benefits are accrued currently and are payable as a lump sum to all employees on termination of their employment contracts under the terms and conditions of Saudi Labor Regulations. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

t) Segmental 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 organised into business units based on their products and services and has following reportable operating segments:

- Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting there from.
- Motor insurance products which provide coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Engineering includes long term Erection All Risks ("EAR") and Contractor All Risk ("CAR") policies and annual policies for Machinery Break Down ("MBD"), Machinery All Risk, Electronic Data Processing, Business Interruption in conjunction with MBD.
- Medical products which provide health care cover to policyholders.
- Marine insurance for loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.
- Others include property, general accident and marine insurance.

Shareholders' operations is a non-operating segment. Income earned from investments is its only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.

No inter-segment transactions occurred during the period. If any transactions were to occur, transfer prices between operating segments are set mutually agreed terms. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

As the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by operating segment only.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Offsetting

Financial assets and financial 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense are not offset in the statement of comprehensive income - insurance operations or statement of comprehensive income - shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

v) Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised 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.

w) Expense recognition

Expenses are recognized in statements of comprehensive income - insurance operations and shareholders' operations when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses are presented using the nature of expense method.

5 CASH AND CASH EQUIVALENTS

	2015		*2014*	
	Insurance operations SR	***Shareholders' operations SR***	*Insurance operations SR*	*Shareholders' operations SR*
Cash in hand	**38,157**	**--**	26,248	--
Cash at bank - current accounts	**10,532,050**	**2,709,224**	60,865,100	12,476,575
Cash at bank – short term deposits	**16,500,000**	**--**	--	--
	27,070,207	**2,709,224**	60,891,348	12,476,575

Cash at banks are placed with counterparties who have investment grade credit ratings. The short-term deposits, which are denominated in Saudi Riyals, are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn investment income at an effective profit rate of 1.27% per annum (2014: NIL).

6 TERM DEPOSITS

Term deposits are placed with counterparties which have credit ratings of A- to A+ ratings under Standard and Poor's and Moody's ratings methodology. Time deposits are placed with local banks with a maturity of more than three months from the date of original acquisition and earns investment income at an average rate of 1.7% per annum (2014: 0.7% per annum). The carrying amounts of the time deposits reasonably approximate the fair value at the statement of financial position date.

The Company holds an amount of SR 900,000 (31 December 2014 – SR 900,000) in a fiduciary capacity in the statement of financial position of Insurance operations, in respect of claims to be settled for a third party insurer in favour of service providers.

7 INVESTMENTS

a) Insurance operations – Investments

This represents investment in respect of the Company's share in the capital of Najm for Insurance Services. This investment has been carried at cost in the absence of active markets or other means of reliably measuring its fair value.

b) Shareholders' operations – Available for sale investments (AFS)

	31 December 2015		*31 December 2014*	
	Amortised cost SR	***Market value SR***	*Amortised cost SR*	*Market value SR*
Bonds – Fixed rate				
Abu Dhabi National Energy Company (TAQA)	**4,158,050**	**4,157,624**	4,308,059	4,350,674
SABIC Capital II BV	**34,507,978**	**33,878,250**	13,853,721	13,500,000
QNB (Qatar National Bank) Finance	**13,799,873**	**13,573,575**	--	--
Abu Dhabi Commercial Bank	**15,684,660**	**15,311,400**	--	--
Sukuks – Fixed rate				
Saudi Electricity Company	**18,818,966**	**18,834,374**	18,870,826	18,923,436
EIB Sukuk Ltd (Emirates Islamic Bank)	**3,903,307**	**3,831,750**	3,976,499	3,850,013
	90,872,834	**89,586,973**	41,009,105	40,624,123

The investment income ranges between 2% to 3% per annum (2014: 1.9% to 2.8% per annum) in case of bonds and 2.4% per annum (2014: 2.4% per annum) in case of sukuks.

8 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair values of recognised financial instruments are not significantly different from the carrying values included in the financial statements. The estimated fair values of financial instruments are based on quoted market prices, when available. The fair values of these investments are disclosed below.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repacking);

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

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

8 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Level 1 SR	*Level 2* SR	*Level 3* SR	*Total* SR
As at 31 December 2015				
Abu Dhabi National Energy Company (TAQA)	**4,157,624**	--	--	**4,157,624**
SABIC Capital II BV	**33,878,250**	--	--	**33,878,250**
QNB (Qatar National Bank) Finance	**13,573,575**	--	--	**13,573,575**
Abu Dhabi Commercial Bank	**15,311,400**	--	--	**15,311,400**
Saudi Electricity Company (Sukuks)	**18,834,374**	--	--	**18,834,374**
EIB Sukuk Ltd (Emirates Islamic Bank)	**3,831,750**	--	--	**3,831,750**
	89,586,973	--	--	**89,586,973**

	Level 1 SR	*Level 2* SR	*Level 3* SR	*Total* SR
As at 31 December 2014				
Abu Dhabi National Energy Company (TAQA)	4,350,674	--	--	4,350,674
SABIC Capital II BV	13,500,000	--	--	13,500,000
Saudi Electricity Company (Sukuks)	18,923,436	--	--	18,923,436
EIB Sukuk Ltd (Emirates Islamic Bank)	3,850,013	--	--	3,850,013
	40,624,123	--	--	40,624,123

The unlisted securities of SR 1.92 million (2014: SR 1.92 million), held as part of Company's insurance operations, were stated at cost in the absence of active markets or other means of reliably measuring their fair value.

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

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements. The net change in the fair value of AFS investments amounting to a loss of SR 900,879 (2014: loss of SR 593,671) has been recorded in the statement of comprehensive income – shareholders' operations. The cumulative change in fair value reserve for available for sale investments amounting to SR 1,285,861 (31 December 2014: 384,982) is presented within the shareholders equity in the statement of financial position.

The credit quality of investment portfolio is as follows:

Credit Quality	**Credit Rating Agency**	**Financial Instrument**	***2015*** ***SR***	*2014* *SR*
Very strong quality AA	S&P	Bonds/ Sukuks	**18,834,374**	**18,923,436**
Strong quality A to A+	S&P	Bonds/ Sukuks	**66,920,849**	**17,850,674**
Satisfactory quality BBB	S&P	Bonds/ Sukuks	**3,831,750**	**3,850,013**
			89,586,973	**40,624,123**

8 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Very strong quality: Capitalisation, earnings, financial strength, liquidity, management, market reputation and repayment ability are excellent.

Strong quality: Capitaliation, earnings, financial strength, liquidity, management, market reputation and repayment ability are good.

Satisfactory quality: Require regular monitoring due to financial risk factors. Ability to repay remains at a satisfactory level.

9 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2015 SR	*2014 SR*
Premiums receivable	**50,978,547**	45,724,701
Receivables from insurance and reinsurance companies	**42,408,255**	21,983,148
Receivables from related parties	**7,545,611**	27,301,100
	100,932,413	95,008,949
Less: Allowance for doubtful debts	**(15,120,764)**	(12,854,165)
	85,811,649	82,154,784

Allowance for doubtful debts includes SR 1.68 million (31 December 2014: SR 1.9 million) against receivables from related parties. Movement in the allowance for doubtful debt was as follows:

	2015 SR	*2014 SR*
Balance at 1 January	**12,854,165**	12,525,180
Debts written off against the provision	**(888,188)**	--
Charge for the period	**3,154,787**	328,985
Balance at 31 December	**15,120,764**	12,854,165

As at 31 December 2015 and 2014, the ageing of premiums and insurance balances receivable is as follows:

			Past due but not impaired		
	Total SR	*Neither past due nor impaired SR*	*90 to 180 days SR*	*181 to 360 days SR*	*Past due and impaired SR*
2015	**100,932,413**	**48,772,813**	**23,455,855**	**17,644,071**	**11,059,674**
2014	95,008,949	39,916,728	35,298,538	10,228,620	9,565,063

9 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

The Company classifies balances as "past due and impaired" on case by case basis and an impairment adjustment is recorded in the statement of insurance operations. Unimpaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over premiums receivable, and vast majority of such balances are therefore unsecured. The credit quality of these financial assets that are neither past due nor impaired can be assessed by reference to policyholders with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past.

Unimpaired premiums and reinsurance balances receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are, therefore, unsecured. The Company does not have an internal credit ratings assessment process and accordingly, amounts which are neither past due nor impaired, in respect of premiums receivable balances, are from individuals and unrated corporate.

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia as well as reinsurance companies outside Kingdom of Saudi Arabia. The Company's terms of business require amounts to be paid within 30 to 90 days of the date of transaction. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. No individual or company as at 31 December 2015 accounts for more than 18% (31 December 2014: 12%) of the premiums receivable. In addition, the five largest customers accounts for 33% (31 December 2014: 40%) of the premiums receivable as at 31 December 2015.

10 MOVEMENT IN UNEARNED PREMIUMS, DEFERRED POLICY ACQUISITION COSTS, UNEARNED REINSURANCE COMMISSION AND OUTSTANDING CLAIMS

a) Unearned premium

	2015			*2014*		
	Gross SR	****Reinsurers' share SR***	***Net SR***	*Gross SR*	**Reinsurers' share SR*	*Net SR*
Balance at 1 January	**151,161,351**	**(70,004,884)**	**81,156,467**	138,747,983	(69,121,800)	69,626,183
Premiums written during the year	**402,031,766**	**(146,732,704)**	**255,299,062**	335,198,886	(163,453,970)	171,744,916
Premiums earned during the year	**(394,804,117)**	**159,954,337**	**(234,849,780)**	(322,785,518)	162,570,886	(160,214,632)
Balance at 31 December	**158,389,000**	**(56,783,251)**	**101,605,749**	151,161,351	(70,004,884)	81,156,467

*The reinsurance share of premium written during the year includes excess of loss premiums amounting to SR 9,865,493 (31 December 2014: 11,546,168)

b) Deferred policy acquisition costs

	2015 SR	*2014 SR*
Balance at 1 January	**6,136,160**	6,027,808
Cost incurred during the year	**23,566,251**	15,304,072
Amortised during the year	**(24,199,540)**	(15,195,720)
Balance at 31 December	**5,502,871**	6,136,160

10 MOVEMENT IN UNEARNED PREMIUMS, DEFERRED POLICY ACQUISITION COSTS, UNEARNED REINSURANCE COMMISSION AND OUTSTANDING CLAIMS (continued)

c) Unearned reinsurance commission

	2015 *SR*	*2014* *SR*
Balance at 1 January	**10,654,878**	8,880,200
Commission received during the year	**19,600,918**	26,400,635
Commission earned during the year	**(23,222,411)**	(24,625,957)
Balance at 31 December	**7,033,385**	10,654,878

d) Outstanding claims

	2015			*2014*		
	Gross *SR*	*Reinsurers' share* *SR*	*Net* *SR*	*Gross* *SR*	*Reinsurers' share* *SR*	*Net* *SR*
Balance at 31 December						
Claims reported	**(190,700,998)**	**135,141,189**	**(55,559,809)**	(405,386,554)	381,550,389	(23,836,165)
IBNR	**(67,153,228)**	**21,984,391**	**(45,168,837)**	(63,202,000)	13,812,599	(49,389,401)
	(257,854,226)	**157,125,580**	**(100,728,646)**	(468,588,554)	395,362,988	(73,225,566)
Premium deficiency and other Reserves	**(2,300,000)**	**--**	**(2,300,000)**	(3,359,000)	--	(3,359,000)
Total outstanding claims	**(260,154,226)**	**157,125,580**	**(103,028,646)**	(471,947,554)	395,362,988	(76,584,566)
Claims paid during the year	**(449,590,140)**	**336,019,937**	**(113,570,203)**	(312,278,853)	180,911,149	(131,367,704)
Balance at 1 January						
Claims reported	**405,386,554**	**(381,550,389)**	**23,836,165**	617,759,315	(576,502,931)	41,256,384
IBNR	**63,202,000**	**(13,812,599)**	**49,389,401**	43,416,000	(19,863,999)	23,552,001
	468,588,554	**(395,362,988)**	**73,225,566**	661,175,315	(596,366,930)	64,808,385
Premium deficiency and other Reserves	**3,359,000**	**--**	**3,359,000**	2,328,000	--	2,328,000
Claims incurred	**(237,796,812)**	**97,782,529**	**(140,014,283)**	(120,723,092)	(20,092,793)	(140,815,885)

11 PREPAYMENTS AND OTHER ASSETS

	2015		*2014*	
	Insurance operations SR	***Shareholders' operations SR***	*Insurance operations SR*	*Shareholders' operations SR*
Prepaid rent	**200,485**	**--**	203,394	--
Employees' housing advances	**876,930**	**--**	1,044,073	--
Employees' prepaid insurance	**758,525**	**--**	634,378	--
Other assets	**480,488**	**1,949,425**	6,096,555	424,271
	2,316,428	**1,949,425**	7,978,400	424,271

12 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital of the Company, which is maintained with a bank designated by SAMA in accordance with Law on Supervision of Cooperative Insurance Companies. This statutory deposit cannot be withdrawn without the consent of SAMA. As a result of increase in share capital, the Company's statutory deposit during the year increased to SR 40 million (2014: SR 20 million). The initial statutory deposit is held with a local bank as approved by SAMA. The Company also has deposited the additional SR 20 million in a SAMA designated Bank. As at 31 December 2015, income received on the statutory deposit amounts to SR 966,547 and is placed in a separate bank account as instructed by SAMA.

13 PROPERTY AND EQUIPMENT

	Furniture and fixtures SR	***Office equipment SR***	***Motor vehicles SR***	***Total 2015 SR***	*Total 2014*
Cost:					
Balance at 1 January	**3,208,896**	**6,341,833**	**384,450**	**9,935,179**	8,806,079
Additions	**85,207**	--	--	**85,207**	1,129,100
Balance at 31 December	**3,294,103**	**6,341,833**	**384,450**	**10,020,386**	9,935,179
Accumulated depreciation:					
Balance at 1 January	**(2,989,975)**	**(5,301,672)**	**(384,450)**	**(8,676,097)**	(7,950,623)
Charge for the year (note 20)	**(177,475)**	**(960,287)**	--	**(1,137,762)**	(725,474)
Balance at 31 December	**(3,167,450)**	**(6,261,959)**	**(384,450)**	**(9,813,859)**	(8,676,097)
Net book value:					
At 31 December 2015	**126,653**	**79,874**	--	**206,527**	
At 31 December 2014	218,921	1,040,161	--		1,259,082

14 ACCRUED EXPENSES AND OTHER LIABILITIES

	Insurance operations 2015 SR	***Shareholders' operations 2015 SR***	*Insurance operations 2014 SR*	*Shareholders' operations 2014 SR*
Accrued salaries and benefits	**6,850,000**	--	4,375,000	--
Accrued supervision fees	**500,383**	--	526,380	--
Board of Directors' remuneration	--	**624,937**	--	538,514
Provision for zakat and income tax (note 16d)	--	**17,062,889**	--	9,487,998
Accrued withholding tax	**5,913,942**	--	7,104,983	--
Accrued IT related services	**705,653**	--	1,665,966	--
Accrued legal and professional fees	**2,657,000**	--	1,200,000	--
Outsourced service charges payable (note 23)	**8,967,714**	--	13,958,760	--
Other accrued expenses	**347,507**	**2,908,614**	1,447,741	2,273,179
	25,942,199	**20,596,440**	30,278,830	12,299,691

15 CLAIMS DEVELOPMENT

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 aims to maintain adequate reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences will be eliminated which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Company transfers much of this release to the current accident year reserves when the development of claims is less mature and there is much greater uncertainty attached to the ultimate cost of claims. Claims triangulation analysis (gross and net) is by accident years spanning a number of financial years.

2015 – Gross Basis

Accident Year	***2011 & earlier***	***2012***	***2013***	***2014***	***2015***	***TOTAL***
Estimate of ultimate claim cost:						
At the end of accident year	150,793,842	66,834,065	628,710,438	101,118,835	190,122,920	1,137,580,100
One year later	124,005,584	57,630,088	565,367,683	83,130,816	--	830,134,171
Two years later	88,819,591	42,654,920	552,235,479	--	--	683,709,990
Three years later and after	81,868,468	44,549,385	--	--	--	126,417,853
Four years later and after	81,838,213	--	--	--	--	81,838,213
Current estimate of cumulative claims	81,838,213	44,549,385	552,235,479	83,130,816	190,122,920	951,876.813
Cumulative paid claims	81,075,822	42,910,696	509,458,388	58,277,681	--	691,722.587
Liability recognised in statement of financial position	762,391	1,638,689	42,777,091	24,853,135	190,122,920	260,154,226

2015 – Net basis

Accident Year	***2011 & earlier***	***2012***	***2013***	***2014***	***2015***	***TOTAL***
Estimate of ultimate claim cost:						
At the end of accident year	68,774,224	29,127,101	43,072,737	54,869,038	94,229,698	290,072,798
One year later	54,530,911	37,810,438	49,762,964	41,802,305	--	183,906,618
Two years later	43,934,676	28,316,592	54,244,967	--	--	126,496,235
Three years later and after	40,902,966	23,396,865	--	--	--	64,299,831
Four years later and after	42,662,418	--	--	--	--	42,662,418
Current estimate of cumulative claims	42,662,418	23,396,865	54,244,967	41,802,305	94,229,698	256,336,253
Cumulative paid claims	41,989,950	29,697,793	53,664,069	27,955,795	--	153,307,607
Liability recognised in statement of financial position	672,469	(6,300,929)	580,898	13,846,510	94,229,698	103,028,646

15 CLAIMS DEVELOPMENT (Continued)

2014 – Gross Basis

Accident Year	***2011 & earlier***	***2012***	***2013***	***2014***	***TOTAL***
Estimate of ultimate claim cost:					
At the end of accident year	150,793,842	66,834,065	628,710,438	119,358,835	965,697,180
One year later	124,005,584	57,630,088	565,367,683	--	747,003,355
Two years later	88,819,591	42,654,920	--	--	131,474,511
Three years later and after	81,868,467	--	--	--	81,868,468
Current estimate of cumulative claims	81,868,467	42,654,920	565,367,683	119,358,835	809,249,905
Cumulative paid claims	78,437,013	41,444,240	217,421,098	--	337,302,351
Liability recognised in statement of financial position	3,431,454	1,210,680	347,946,585	119,358,835	471,947,554

2014 – Net Basis

Accident Year	***2011 & earlier***	***2012***	***2013***	***2014***	***TOTAL***
Estimate of ultimate claim cost:					
At the end of accident year	60,984,590	28,403,219	48,920,630	63,455,850	201,764,289
One year later	52,092,213	36,054,798	65,141,546	--	153,288,557
Two years later	43,950,029	26,316,741	--	--	70,266,770
Three years later and after	39,224,703	--	--	--	39,224,703
Current estimate of cumulative claims	39,224,703	26,316,741	65,141,546	63,455,850	194,138,840
Cumulative paid claims	39,173,904	29,326,191	49,053,047	--	117,553,142
Liability recognised in statement of financial position	50,799	(3,009,450)	16,088,499	63,455,850	76,585,698

16 ZAKAT AND INCOME TAX

a) Zakat charge for the year

The zakat charge for the year consists of the current year's provision amounting to SR 5.6 million (2014: SR 1.59 million).

The zakat provision is based on the following:

	2015 *SR*	*2014* *SR*
Share capital	**200,000,000**	200,000,000
Reserves and provision	**(94,893,518)**	(70,601,594)
Book value of long term assets	**(2,620,178)**	(3,218,380)
Adjusted net profit/ (loss) for the year	**27,275,997**	(25,930,999)
Zakat base	**129,762,301**	100,249,027
Saudi shareholders' share of zakat base	**97,276,309**	77,156,664

The differences between the financial and the zakatable results are mainly due to provisions which are not included in the calculation of zakatable income.

b) Income tax charge for the year

The movement in the provision for income tax for the year is as follows:

	2015 *SR*	*2014* *SR*
At the beginning of the year	**12,925**	12,925
Provided during the year	**1,946,578**	--
At the end of the year	**1,959,503**	12,925

c) Movement in the provision for zakat during the year

The movement in the provision for zakat for the year is as follows:

	2015 *SR*	*2014* *SR*
At the beginning of the year	**9,475,074**	7,882,141
Provided during the year	**5,628,312**	1,592,933
At the end of the year	15,103,386	9,475,074

16 ZAKAT AND INCOME TAX (Continued)

d) Movement in the provision for zakat and income tax during the year

The movement in the provision for zakat and income tax for the year is as follows:

	2015 *SR*	*2014* *SR*
At the beginning of the year	**9,487,999**	7,895,066
Provided during the year	**7,574,890**	1,592,933
At the end of the year	17,062,889	9,487,999

e) Status of zakat and tax assessments

The Company has submitted its zakat and income tax returns up to the year ended 31 December 2014, obtained the required certificates and official receipts but the final assessments have not been raised.

f) Status of appeal

The Company has filed an appeal against the DZIT's initial assessment for the period / year ended 31 December 2010, 2011, 2012 and 2014 which are pending as at 31 December 2015.

17 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 400 million divided in 40 million shares (31 December 2014: SR 200 million divided into 20 million shares) with a nominal value SR 10 each. The Company incurred transaction costs relating to right issue amounting to SR 9.14 million and charged it to Statement of Changes in Shareholders' Equity. The founding shareholders of the Company have subscribed and paid for 28 million shares which represents 70% of the shares of the Company's share capital and the remaining 6 million shares have been subscribed by the public.

The Company held an extraordinary general assembly of its shareholders on 6 January 2015 to approve the increase in the share capital through a rights issue. Based on the approval received from the shareholders at the extraordinary general assembly, the Company proceeded to raise SAR 200 million through a rights issue. Under the terms of the rights issue, the Company offered 20,000,000 new ordinary shares by way of rights to qualifying shareholders at SAR 10 per new ordinary share at close of business on the record date, 6 January 2015. The rights issue was made on the basis of one new ordinary share for every one existing ordinary share held by shareholders. The legal formalities for capital increase were completed during the year and the Company successfully raised additional share capital of SR 200 million during February 2015.

18 BASIC AND DILUTED EARNINGS/ (LOSS) PER SHARE FOR THE YEAR

Basic and diluted earnings / (loss) per share for the period has been calculated by dividing the net income / (loss) for the period by weighted average number of outstanding shares at the year end.

The weighted average number of shares have been retrospectively adjusted for all prior periods to reflect the bonus element of the rights issue as required by IAS 33, 'Earnings per share" as follows:

	31 December 2015	31 December 2014
Issued ordinary shares as at 1 January	**20,000,000**	20,000,000
Adjusted rights issue / bonus element	**19,742,857**	16,400,000
Weighted average number of ordinary shares	**39,742,857**	36,400,000

The weighted average number of ordinary shares for prior year is computed using an adjustment factor of 1.82, which is a ratio of the theoretical ex-right price of SR 56.26 and the closing price per share of SR 102.52 per share on 6 January 2015, the last day on which the shares were traded before the rights issue.

The basic and diluted loss per share are as follows:

	31 December 2015 SR	31 December 2014 SR
Net income / (loss) for the period	**27,275,997**	(28,110,791)
Weighted average number of ordinary shares	**39,742,857**	36,400,000
Basic and diluted earnings / (loss) per share (restated)	**0.69**	(0.77)

19 STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, the Company is required to establish a statutory reserve by appropriating 20% of net income until the reserve equals 100% of the share capital. This reserve is not available for dividend distribution. No appropriation has been made because the Company has accumulated losses at the end of the year.

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2015		*2014*	
	Insurance operations SR	*Shareholders' operations SR*	*Insurance operations SR*	*Shareholders' operations SR*
Salaries and benefits	**41,377,507**	**325,000**	37,608,189	325,000
End of service benefits	**1,878,786**	**--**	2,027,768	--
Remuneration of the Board of Directors (note 23)	**--**	**465,000**	--	465,000
Outsourced service charges (note 23)	**3,600,000**	**--**	4,700,000	--
Rent	**1,556,662**	**--**	1,147,732	--
Provision for doubtful debts	**3,154,787**	**--**	328,985	--
Depreciation	**1,137,762**	**--**	725,474	--
Legal and professional fees	**3,576,370**	**--**	1,688,030	--
Business travel and transport	**771,891**	**--**	1,610,871	--
IT related services	**4,098,315**	**--**	3,832,427	--
Utilities	**719,055**	**--**	1,020,727	--
Stationery	**524,459**	**--**	370,230	--
Promotion and advertising	**300,000**	**--**	141,494	--
Others	**961,901**	**982,352**	727,234	619,917
	63,657,495	**1,772,352**	55,929,161	1,409,917

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, time deposits, investments, receivables, payables, and certain other assets and liabilities. The fair values of the financial assets and liabilities are not materially different from their carrying values with the exception of unquoted financial instruments which are carried at cost.

22 CONTINGENCIES AND COMMITMENTS

Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position. The Company did not have any significant outstanding legal proceedings as at the reporting date.

Operating lease commitments

Rental expenses under operating leases pertained to leases of office spaces in various locations amounted to SR 0.88 million for the year ended 31 December 2015 (2014: SR 0.83 million) are recognised in the statement of comprehensive income - insurance operations.

Future minimum lease payments under the operating lease arrangements as at 31 December are as follows:

22 CONTINGENCIES AND COMMITMENTS (Continued)

Operating lease commitments

Future minimum lease payments under the operating lease arrangements as at 31 December are as follows:

	31 December 2015 SR	*31 December 2014 SR*
Less than one year	**881,476**	**838,580**

23 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders and key management personnel of the Company. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms which are approved by the management. Related parties include RSA group in United Kingdom as well as affiliated companies in United Arab Emirates, Sultanate of Oman and Kingdom of Bahrain. The following are the details of major related party transactions for insurance and shareholders' operations during the year and the balances at the end of the year:

		Amount of transactions for the year ended		***Balance as at***	
Related party	*Nature of transaction*	***31 December 2015 SR***	*31 December 2014 SR*	***31 December 2015 SR***	*31 December 2014 SR*
Shareholders / Companies under common management	Gross written Premiums	**136,827,806**	125,073,727	**7,545,610**	27,301,100
	Gross claims paid	**62,422,171**	92,699,086	--	--
	Reinsurance premiums ceded	**39,553,752**	54,203,141	--	--
	Reinsurers' share of gross claims paid	**76,251,387**	31,947,087	--	--
	Reinsurance commission income	**11,195,628**	11,842,219	--	--
	Outsourced service charges*	**3,600,000**	4,700,000	**(8,967,714)**	(13,958,760)
	Brand fee*	**30,100**	30,100	**(173,075)**	(142,975)
	Reinsurers' share of gross outstanding Claims	--	--	--	(90,835,582)
	Gross outstanding claims	--	--	**(28,534,421)**	(24,120,594)
Board of directors	Remuneration and meeting fee	**465,000**	465,000	**(497,205)**	(489,705)
RSA group entities	Operational expenses paid on behalf of affiliates and reinsurance placements	**3,663,397**	389,545	**3,412,297**	2,052,914
RSA group entities	Operation expenses paid by affiliates on behalf of Company	**(2,810,433)**	(502,996)	**(4,547,711)**	(4,046,292)

*Outsourced service charges and brand fee are included within the accrued expenses and other liabilities appearing on the face of the statement of financial position.

23 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Key management personnel's remuneration

Key management personnel of the Company include all directors (executive and non-executive) and senior management. The remuneration of key management personnel during the period is as follows:

	2015 *SR*	*2014* *SR*
Short term benefits	**6,034,392**	6,228,959
End of service benefits	**210,219**	204,877
	6,244,611	6,433,836

24 SEGMENTAL INFORMATION

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

Segment results do not include general and administration expenses and other income.

Segment assets do not include (in respect of insurance operations) property and equipment, due from shareholders' operations, bank balances and cash, prepaid expenses and other assets, premiums and reinsurance balances receivable, net. Accordingly, these are included in unallocated assets and are managed and reported to the chief operating decision maker on a centralised basis.

Segment liabilities do not include (in respect of insurance operations) employees' end of service benefits, reinsurance balances payable, accrued expenses and other liabilities. Accordingly, these are included in unallocated liabilities and are managed and reported to the chief operating decision maker on a centralised basis.

All of the Company's operating assets (except certain reinsurance balances) and principal activities are located in the Kingdom of Saudi Arabia.

Shareholders' operations is a non-operating segment. Certain direct operating expenses, other overhead expenses and loss or surplus from the insurance operations are allocated to this segment on an appropriate basis.

	For the year ended 31 December 2015						
	Property SR	**Motor SR**	**Engineering SR**	**Medical SR**	**Marine SR**	**Others SR**	**Total SR**
Insurance operations							
Gross written premiums	**128,686,713**	**166,582,334**	**20,663,793**	**5,521,945**	**35,592,644**	**44,984,337**	**402,031,766**
Reinsurance premiums ceded	**(78,158,113)**	**--**	**(17,547,925)**	**(3,112,969)**	**(16,590,334)**	**(21,457,870)**	**(136,867,211)**
Excess of loss premiums	**(3,359,927)**	**(2,150,658)**	**(1,355,786)**	**(231,403)**	**(2,014,740)**	**(752,979)**	**(9,865,493)**
Net written premiums	**47,168,673**	**164,431,676**	**1,760,082**	**2,177,573**	**16,987,570**	**22,773,488**	**255,299,062**
Change in unearned premiums, net	**(16,605,228)**	**(3,092,406)**	**42,214**	**1,452,673**	**(631,353)**	**(1,615,182)**	**(20,449,282)**
Net premiums earned	**30,563,445**	**161,339,270**	**1,802,296**	**3,630,246**	**16,356,217**	**21,158,306**	**234,849,780**
Gross claims paid	**(325,796,742)**	**(90,571,094)**	**(6,403,936)**	**(6,445,936)**	**(5,631,944)**	**(14,740,488)**	**(449,590,140)**
Reinsurers' share of gross claims paid	**313,436,056**	**--**	**5,070,940**	**4,083,959**	**3,440,666**	**9,988,316**	**336,019,937**
Change in outstanding claims, net	**(182,469)**	**(17,673,339)**	**(3,049,549)**	**573,010**	**(5,708,276)**	**(403,457)**	**(26,444,080)**
Net claims incurred	**(12,543,155)**	**(108,244,433)**	**(4,382,545)**	**(1,788,967)**	**(7,899,554)**	**(5,155,629)**	**(140,014,283)**
Policy acquisition costs	**(6,002,840)**	**(9,513,239)**	**(3,570,050)**	**(112,033)**	**(2,148,978)**	**(2,852,400)**	**(24,199,540)**
Reinsurance commission income	**8,316,569**	**--**	**7,089,855**	**(147,692)**	**4,225,982**	**3,737,697**	**23,222,411**
	20,334,019	**43,581,598**	**939,556**	**1,581,554**	**10,533,667**	**16,887,974**	**93,858,368**
Other underwriting expenses							**(2,049,000)**
Net underwriting result							**91,809,368**
General and administrative Expenses							**(63,657,495)**
Investment income							**448,575**
Other income, net							**226,337**
Insurance operations' surplus							**28,826,785**

24 SEGMENTAL INFORMATION (continued)

	For the year ended 31 December 2014						
	Property SR	**Motor SR**	**Engineering SR**	**Medical SR**	**Marine SR**	**Others SR**	**Total SR**
Insurance operations							
Gross written premiums	107,945,018	125,683,000	24,962,721	7,908,921	27,614,241	41,084,985	335,198,886
Reinsurance premiums ceded	(88,328,093)	--	(22,085,397)	(4,381,956)	(13,861,841)	(23,250,515)	(151,907,802)
Excess of loss premiums	(4,599,198)	(2,169,660)	(1,353,949)	(344,712)	(2,247,833)	(830,816)	(11,546,168)
Net written premiums	15,017,727	123,513,340	1,523,375	3,182,253	11,504,567	17,003,654	171,744,916
Change in unearned premiums, net	(8,382,917)	(4,161,959)	(178,908)	1,900,982	73,346	(780,828)	(11,530,284)
Net premiums earned	6,634,810	119,351,381	1,344,467	5,083,235	11,577,913	16,222,826	160,214,632
Gross claims paid	(167,005,330)	(114,318,857)	(4,747,953)	(12,473,875)	(4,384,528)	(9,348,310)	(312,278,853)
Reinsurers' share of gross claims paid	162,446,478	--	3,290,267	7,414,926	997,663	6,761,815	180,911,149
Change in outstanding claims, net	2,696,681	(8,046,070)	3,334,412	(700,993)	(1,068,289)	(5,663,922)	(9,448,181)
Net claims incurred	(1,862,171)	(122,364,927)	1,876,726	(5,759,942)	(4,455,154)	(8,250,417)	(140,815,885)
Policy acquisition costs	(3,818,011)	(5,503,215)	(2,136,973)	(505,817)	(2,333,977)	(897,727)	(15,195,720)
Reinsurance commission income	13,616,887	--	3,827,753	--	4,149,821	3,031,496	24,625,957
	14,571,515	(8,516,761)	4,911,973	(1,182,524)	8,938,603	10,106,178	28,828,984
Other underwriting expenses							(1,701,891)
Net underwriting result							27,127,093
General and administrative Expenses							(55,929,161)
Investment income							551,200
Other income, net							(5,978)
Insurance operations' deficit							(28,256,846)

	As at 31 December 2015						
	Property SR	**Motor SR**	**Engineering SR**	**Medical SR**	**Marine SR**	**Others SR**	**Total SR**
Insurance operations' assets							
Reinsurers' share of unearned Premiums	**34,083,159**	**499,995**	**8,584,914**	**1,675,650**	**5,234,848**	**6,704,685**	**56,783,251**
Reinsurers' share of outstanding claims	**93,275,644**	**7,880**	**24,957,082**	**1,279,987**	**15,903,541**	**21,701,446**	**157,125,580**
Deferred policy acquisition Costs	**1,294,312**	**2,544,381**	**938,991**	**12,259**	**530,995**	**181,933**	**5,502,871**
Unallocated assets							**321,839,659**
							541,251,361
Insurance operations' liabilities							
Gross outstanding claims	**99,489,005**	**66,063,339**	**31,372,686**	**2,306,977**	**28,262,717**	**32,659,502**	**260,154,226**
Gross unearned premiums	**61,320,387**	**59,940,401**	**9,890,901**	**2,303,977**	**9,885,901**	**15,047,433**	**158,389,000**
Unearned reinsurance commission Income	**2,496,006**	**-**	**1,752,982**	**(6,521)**	**1,205,988**	**1,584,930**	**7,033,385**
Unallocated liabilities							**115,674,750**
							541,251,361

24 SEGMENTAL INFORMATION (continued)

	As at 31 December 2014						
	Property SR	**Motor SR**	**Engineering SR**	**Medical SR**	**Marine SR**	**Others SR**	**Total SR**
Insurance operations' assets							
Reinsurers' share of unearned Premiums	40,805,592	--	13,677,738	2,587,974	2,857,485	10,076,095	70,004,884
Reinsurers' share of outstanding claims	355,577,552	214,828	10,323,842	1,893,981	8,914,011	18,438,774	395,362,988
Deferred policy acquisition Costs	1,075,214	2,423,716	2,011,066	77,292	160,998	387,874	6,136,160
Unallocated assets							288,032,956
							759,536,988
Insurance operations' liabilities							
Gross outstanding claims	361,608,384	48,596,464	13,689,863	3,493,965	15,564,844	28,994,034	471,947,554
Gross unearned premiums	51,437,486	56,347,437	15,026,034	4,668,953	6,877,098	16,804,343	151,161,351
Unearned reinsurance commission Income	3,563,384	--	4,090,041	--	1,175,988	1,825,465	10,654,878
Unallocated liabilities							125,773,205
							759,536,988

25 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. The Company is exposed to insurance, reinsurance, regulatory framework, investment income rate, credit, liquidity, market and foreign currency risks.

Risk management structure
A cohesive organisational structure is established within the Company in order to identify, assess, monitor and control risks.

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

Senior management
Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

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 procedures 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.

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

a) ***Insurance risk***

Insurance risk is the risk that actual claims payable to policy holders in respect of insured events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Insurance risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property, motor, engineering, medical and marine risks.

25 RISK MANAGEMENT (continued)

Frequency and severity of claims
The frequency and severity of claims can be affected by several factors. The Company underwrites mainly property, engineering, motor, casualty, medical and marine classes. These classes of insurance except for long tail engineering policies are generally regarded as annual insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Sources of uncertainty in estimation of future probable claim payments

The key source of estimation uncertainty at the balance sheet date relates to the 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 judgement 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 balance sheet date 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 2 and 10 (d).

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.

Property
Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting there from, are underwritten either on a replacement value or on a market value basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties and the time taken to reinstate the operations to its pre-loss position in the case of business interruption are the main factors that influence the level of claims.

In respect of accumulation of the retentions under the property business, this is covered by proportional as well as non-proportional treaties.

Engineering
The engineering business includes long term Erection All Risks ("EAR") and Contractor All Risk ("CAR") policies and annual policies for Machinery Break Down ("MBD"), Machinery All Risk, Electronic Data Processing, Business Interruption in conjunction with MBD. The long tail EAR/CAR policies cover various projects for the whole project period. Selection of the risks and proper underwriting are the criteria for this line of business. These are adequately covered under the Engineering proportional and non-proportional treaties.

25 RISK MANAGEMENT (continued)

Motor
For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years, the Company has only underwritten comprehensive polices for owner/drivers over 18 years of age. The Company also has risk management procedures to control cost of claims. The Company has reinsurance cover to limit the losses for any individual claim to SR 2 million (31 December 2014: SR 2 million)

Medical
The Company' underwriting strategy is designed to ensure that risks are well diversified in terms of type of risks and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing, as well as detailed claims handling procedures. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. The Company has reinsurance cover to limit the losses for any individual claim to SR 1.5 million (2014: SR 1.5 million).

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim, to SR 1.75 million (2014: SR 1.75 million).

Concentration of insurance risk
The Company monitors concentration of insurance risks primarily by class of business. The major concentration lies in property and motor. The Company also monitors concentration of risk by evaluating multiple risks covered in the same geographical location. For flood or earthquake risk, a complete city is classified as a single location. For fire and property risk a particular building and neighbouring buildings, which could be affected by a single claim incident, are considered as a single location. Similarly, for marine risk, multiple risks covered in a single vessel voyage are considered as a single risk while assessing concentration of risk. 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. Since the Company does not have any foreign operations, hence, all the insurance risks relate to policies written in Saudi Arabia.

25 RISK MANAGEMENT (continued)

Sensitivity analysis

The Company believes that the claim liabilities under insurance contracts outstanding at the reporting date are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process. A hypothetical 10% change in the claims ratio would impact income annually in aggregate by:

Change in claim ratio	*Effect on income* ***2015 – SR***	*Effect on income* *2014 – SR*
+10%	**14 million**	14.1 million
-10%	**14 million**	14.1 million

b) Claims management risk

Claims management risk may arise within the company in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the company and undermine its ability to win and retain business, or incur punitive damages. These risks can occur at any stage of the claims life cycle. The company's claims teams are focused on delivering quality, reliability and speed of service the policyholders. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

c) Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the company where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts in provisions. To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognized techniques to project gross premiums written, monitor claims development patterns and stress-test ultimate insurance liability balances. The objective of the company's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business.

d) Reinsurance risk

In order to minimise its financial exposure to potential losses arising from large claims, the Company enters into agreements with other parties for reinsurance purpose. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance program is effected under treaty, facultative and excess of loss reinsurance contracts.

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

Reinsurance ceded contracts do not relieve the Company from its obligations to the policyholders and as a result the Company remains liable for a portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The credit exposure in this connection is SR 157.1 million (2014: SR 395.4 million).

e) **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.

25 RISK MANAGEMENT (continued)

***f)* Credit risk**

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

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

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

Maximum exposure to credit risk

The Company's maximum exposure to credit risk on its financial assets at 31 December 2015 is Saudi Riyals 422.8 million for Insurance Operations (31 December 2014: Saudi Riyals 607 million) and Saudi Riyals 324.7 million for Shareholders' Operations (31 December 2014: 153.7 million).

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

	2015 SR		*2014 SR*	
	Insurance' Operations	***Shareholders' operations***	*Insurance' Operations*	*Shareholders' operations*
Assets				
Cash and cash equivalents	**27,070,207**	**2,709,224**	60,865,100	12,476,575
Time deposits	**149,466,089**	**230,543,775**	54,195,859	100,220,075
Investments	**--**	**89,586,973**	--	40,624,123
Premiums and insurance balances receivable	**85,811,649**	**--**	95,008,949	--
Reinsurers' share of outstanding claims	**157,125,580**	**--**	395,362,988	--
Due from related parties	**3,412,297**	**--**	2,052,914	--
Other assets	**--**	**1,949,425**	--	424,271
	422,885,822	**324,789,397**	607,485,810	153,745,044

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

25 RISK MANAGEMENT (continued)

g) Liquidity risk (continued)

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligation and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collection and payments are monitored and reconciled at the end of the day. At the time of investment, particular emphasis is focused on the selection of those companies which are actively traded. The Company manages this risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

Maturity table

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

	2015			*2014*		
	Less than one year	***No term***	***Total***	*Less than one year*	*No term*	*Total*
	SR	***SR***	***SR***	*SR*	*SR*	*SR*
INSURANCE OPERATIONS' ASSETS						
Cash and cash equivalents	**27,070,207**	--	**27,070,207**	60,891,348	--	60,891,348
Term deposits	**149,466,089**	--	**149,466,089**	54,195,859	--	54,195,859
Investments	--	**1,923,079**	**1,923,079**	--	1,923,079	1,923,079
Premiums and insurance balances receivable, net	**85,811,649**	--	**85,811,649**	82,154,784	--	82,154,784
Due from related parties	**3,412,297**	--	**3,412,297**	2,052,914	--	2,052,914
Due from shareholders' operations	**51,633,383**	--	**51,633,383**	77,577,490	--	77,577,490
Reinsurers' share of unearned premiums	**56,783,251**	--	**56,783,251**	70,004,884	--	70,004,884
Reinsurers' share of outstanding claims	**157,125,580**	--	**157,125,580**	395,362,988	--	395,362,988
Deferred policy acquisition costs	**5,502,871**	--	**5,502,871**	6,136,160	--	6,136,160
Prepayments and other assets	**2,316,428**	--	**2,316,428**	7,978,400	--	7,978,400
Property and equipment, net	--	**206,527**	**206,527**	--	1,259,082	1,259,082
TOTAL INSURANCE OPERATIONS' ASSETS	**539,121,755**	**2,129,606**	**541,251,361**	756,354,827	3,128,161	759,536,988
SHAREHOLDERS' ASSETS						
Cash and cash equivalents	**2,709,224**	--	**2,709,224**	12,476,575	--	12,476,575
Term deposits	**230,543,775**	--	**230,543,775**	100,220,075	--	100,220,075
Investments	--	**89,586,973**	**89,586,973**	--	40,624,123	40,624,123
Other assets	**1,949,425**	--	**1,949,425**	424,271	--	424,271
Statutory deposit	--	**40,966,547**	**40,966,547**	--	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS	**235,202,424**	**130,553,520**	**365,755,944**	113,120,921	60,624,123	173,745,044
TOTAL INSURANCE OPERATIONS AND SHAREHOLDERS' ASSETS	**774,324,179**	**132,683,126**	**907,007,305**	869,475,748	63,752,284	933,282,032

25 RISK MANAGEMENT (continued)

	2015			*2014*		
INSURANCE OPERATIONS' LIABILITIES	***Less than one year SR***	***No term SR***	***Total SR***	*Less than one year SR*	*No term SR*	*Total SR*
Gross outstanding claims	**260,154,226**	--	**260,154,226**	471,947,554	--	471,947,554
Gross unearned premiums	**158,389,000**	--	**158,389,000**	151,161,351	--	151,161,351
Accounts payable	**3,742,945**	--	**3,742,945**	6,060,301	--	6,060,301
Reinsurance balances payable	**69,980,765**	--	**69,980,765**	76,900,309	--	76,900,309
Due to related parties	**3,486,684**	--	**3,486,684**	2,987,938	--	2,987,938
Accrued expenses and other liabilities	**25,942,199**	--	**25,942,199**	30,278,830	--	30,278,830
Surplus distribution payable	**3,370,679**	--	**3,370,679**	488,001	--	488,001
Unearned reinsurance commission	**7,033,385**	--	**7,033,385**	10,654,878	--	10,654,878
Employees' end of service benefits	**9,151,478**	--	**9,151,478**	9,057,826	--	9,057,826
TOTAL INSURANCE OPERATIONS' LIABILITIES	**541,251,361**	--	**541,251,361**	759,536,988	--	759,536,988
SHAREHOLDERS' LIABILITIES						
Due to insurance operations	**51,633,383**	--	**51,633,383**	77,577,490	--	77,577,490
Due to a related party	**1,061,027**	--	**1,061,027**	1,058,354	--	1,058,354
Accrued expenses and other liabilities	**20,596,440**	--	**20,596,440**	12,299,691	--	12,299,691
TOTAL SHAREHOLDERS' LIABILITIES	**73,290,850**	--	**73,290,850**	90,935,535	--	90,935,535

To manage the liquidity risk arising from financial liabilities mentioned above, the Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

h) Foreign currency risk

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

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.

i) Investment income rate risk

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

The Company is not exposed to investment income rate risk as rates are fixed.

25 RISK MANAGEMENT (continued)

j) Market rate risk

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

The Company has unquoted equity instruments carried at cost or indicative selling price, where the impact of changes in equity price will only be reflected when the instrument is sold or deemed to be impaired and then the statement of shareholders' operations will be impacted.

The sensitivity of the income on the assumed changes in the market prices of quoted available for sale investments on the statement of shareholders comprehensive income is set out below:

	Change in market price	*Effect on statement of shareholders comprehensive operations SR*
2015	+5%	**4,479,349**
	-5%	**(4,479,349)**
2014	+5%	2,031,206
	-5%	(2,031,206)

k) Capital management

The Company manages its capital to ensure that it is able to continue as going concern and comply with the regulator's capital requirements of the market in which the Company operates while maximizing the return to stakeholders through the optimization of equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital and reserves.

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 minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. In order to maintain or adjust the capital structure, the Company may issue right shares.

As per guidelines laid out by SAMA in Article 66 table 3 and 4 of the Implementing Insurance Regulations detailing the solvency margin required to be maintained, the Company shall maintain solvency margin equivalent to the highest of the following three methods as per SAMA Implementing Regulations:

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

26 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 18 February 2016, corresponding to 9 Jumada'I 1437H.