العالمية
AL ALAMIYA
PART OF THE RSA GROUP

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

A Saudi Joint Stock Company formed in accordance with Royal Decree No. M/2 dated 09/01/1430H (corresponding to 06/01/2009G) and Commercial Registration No. 1010287831 dated 29/11/1430H (corresponding to 17/11/2009G)

Offering of 20,000,000 Ordinary Shares at an Issue Price of SAR 10 per share as a nominal value through a Rights Issue representing an increase of the Company's capital by 100% to become SAR 400,000,000

First Offering Phase: Tuesday 22/03/1436H (corresponding to 13/01/2015G) to Thursday 02/04/1436H (corresponding to 22/01/2015G)

Second Offering Phase: Sunday 05/04/1436H (corresponding to 25/01/2015G) to Tuesday 07/04/1436H (corresponding to 27/01/2015G)

Al Alamiya For Cooperative Insurance Company (hereinafter referred to as the "Company" or "ACIC") is a joint stock company registered in Saudi Arabia under Commercial Registration No. 1010287831 and formed in accordance with Royal Decree No. M/2 dated 09/01/1430H (corresponding to 06/01/2009G). The current share capital of the Company is SAR 200,000,000 consisting of 20,000,000 ordinary shares (the "Shares") each of a nominal value of SAR 10 (each an "Existing Share" or collectively the "Existing Shares"), all of which are fully paid.

In its meeting held on 27/6/1435H (corresponding to 27/4/2014G), the Company's Board of Directors recommended increasing the Company's capital from SAR 200,000,000 to SAR 400,000,000, after obtaining the necessary regulatory approvals. On Tuesday 15/03/1436H (corresponding to 06/01/2015G) the Extraordinary General Assembly approved the Board's recommendation to increase the Company's capital.

The major shareholder in the Company is Royal & Sun Alliance Insurance Group (Middle East) (a closed joint stock company) located in Bahrain and owning 50.1% of the Company's shares. Riyad Bank (a public joint stock company) located in Saudi Arabia owns 19.9%.

The Rights Issue (the "Offering" or "Rights Issue") is the issuing of 20,000,000 new ordinary shares (the "Rights Issue" or "New Shares") at a price of SAR 10 per share (the "Offer Price") with a nominal value of SAR 10 to increase the Company's share capital from SAR 200,000,000 to SAR 400,000,000.

The Rights Issue will be issued as tradable securities (referred to collectively as the "Rights" and each a "Right") to registered shareholders in the Company (referred to collectively as the "Registered Shareholders" and each a "Registered Shareholder") as at the close of trading on the date of the EGM Meeting on Tuesday 15/03/1436H (corresponding to 06/01/2015G) (the "Eligibility Date"), provided that such Rights are deposited in the Registered Shareholders› accounts within two days of the Eligibility Date in the amount of one Right for each of the Company's shares. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

Registered Shareholders and the public (Institutional and Retail Investors) may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from Tuesday 22/03/1436H (corresponding to 13/01/2015G) until the close of trading on Thursday 02/04/1436H (corresponding to 22/01/2015G) (the "Trading Period").

Subscription for the New Shares will be in two phases:

(a) First Offering Phase: from Tuesday 22/03/1436H (corresponding to 13/01/2015G) until the end of the day on Thursday 02/04/1346H (corresponding to 22/01/2015G) (the "First Offering Phase"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights Issue deposited in their accounts after the EGM. Subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Phase coincides with the Trading Period during which Registered Shareholders and the public from Institutional and Retail Investors may trade in the Rights on the Saudi Stock Exchange.

(b) Second Offering Phase: from Sunday 05/04/1436H (corresponding to 25/01/2015G) until the end of the day on Tuesday 07/04/1436H (corresponding to 27/01/2015G)) (the "Second Offering Phase"), during which all Rights holders whether Registered Shareholders or purchasers of Rights Issue during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. No trading of Rights shall take place in this phase. Subscription Application Forms may be submitted during both the First and Second Offering phases at any of the branches of the Receiving Banks (the "Receiving Banks") listed on page (h) of this Prospectus.

In the event that any Shares remain unsubscribed for in the First and Second Offering Phases (the "Rump Shares"), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on Sunday 12/04/1436H (corresponding to 01/02/2015G) until the following day at 10:00 AM on Monday 13/04/1436H (corresponding to 02/02/2015G) . This offering will be referred to as the "Rump Offering". The Allocation of the Rump Shares will start from the Applicants making the highest Bid and move to successive lower Bid levels until all the Rump Offer Shares have been allocated. While moving to successive lower Bid levels, if sufficient Rump Shares are not available to meet the demand at a particular Rump Offer Share Bid price, then the remaining Rump Shares will be allocated pro rata to the Applicants bidding at that price. Fractional Shares will be added to the Rump Shares and treated in the same manner. The total Offer Price for the Rump Shares will be paid to the Company and all proceeds resulting from the sale of Rump Shares and Fractional Shares shall be distributed to the Eligible Persons proportional to their entitlement no later than Thursday 23/04/1436H (corresponding to 12/02/2015G)

In the event that the Rump Shares are not purchased by the Institutional Investors, such shares will be allocated to the Underwriter, which shall purchase the same at the Offer Price (please see section 14 – "Subscription Terms and Conditions"). After the completion of the Offering, the Company's share capital will become SAR 400,000,000 (four hundred million Saudi Riyals) and the number of the Company's shares will be 40,000,000 (forty million). The net proceeds of the Offering will be utilized to meet the Company's solvency requirements (please see section 10 – "Use of Proceeds"). The final allocation will be announced on Wednesday 15/04/1436H (corresponding to 04/02/2015G) at the latest (the "Allocation Date") (please see section 14 – "Subscription Terms and Conditions - Allocation").

The Company has only one class of Shares and no shareholder will have any preferential voting rights. The New Shares will be fully paid and rank pari passu with the Existing Shares. Each Share entitles its holder to one vote and each shareholder with at least twenty (20) Shares has the right to attend and vote at the Company's general assembly meetings. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, from the date of the Issue for future financial years (please see section 8 – "Dividend Distribution Policy" and section 2.3.8 – "Risk Factors –Dividend Distribution").

On 20/12/1430G (corresponding to 8/12/2009G), the Company listed 20,000,000 shares on Tadawul. Institutional Investors subscribed to 70% of the Company's capital and 30% of the Company's capital was offered for Initial Public Offering. Currently, the Company's existing Shares are traded on Tadawul. The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia ("CMA") for the admission and listing of the New Shares on the Exchange. Approval of this Prospectus has been granted and all supporting documents requested by the CMA have been completed. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares (see "Key Dates for Subscribers"). Following the listing and commencement of trading in the Shares on the Exchange, Saudi nationals and residents, GCC nationals, Saudi companies, banks and funds, GCC companies and establishments, foreign investors from outside the Kingdom (through swap agreements) will be allowed to trade in the New Shares. This Prospectus should be read in full and the "Important Notice" and "Risk Factors" sections should be studied carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby.

Financial Advisor, Lead Manager and Underwriter

GIB جي آي بي كابيتال CAPITAL

Receiving Banks

NCB الأهلي | SABB ساب | samba سامبا

"This Prospectus includes details given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia (the "CMA). The Directors, whose names appear on page (e), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Saudi Arabian Stock Exchange (Tadawul) take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document."

"This unofficial English language translation of the official Arabic language Prospectus is provided for information purposes only. The Arabic language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts".

This Prospectus is dated 15/03/1436H (corresponding to 06/01/2015G)

العالمية

AL ALAMIYA

PART OF THE RSA GROUP

Important Notice

This Prospectus provides full details of information relating to Al Alamiya for Cooperative Insurance Company (hereinafter referred to as the “Company” or “ACIC”) and the Offer Shares. When applying for the Offer Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager and the Receiving Banks or by visiting the websites of the CMA (www.cma.org.sa) or GIB Capital (www.gibcapital.com).

GIB Capital (“GIB Capital”) has been appointed by ACIC to act as the financial advisor, lead manager and underwriter in respect of the Offer Shares referred to herein.

This Prospectus also includes details given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia (the “CMA”). The Directors, whose names appear on page (e) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange bear no responsibility for the contents of this Prospectus, and do not offer any representations relating to its accuracy or completeness, and explicitly relinquish any liability of any kind for any loss resulting from the contents of this Prospectus or reliance upon any portion thereof.

While the Company and its advisors have made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial part of the market and industry information herein are derived from external sources, and while neither the Company or any of its directors, founding shareholders, the Financial Advisor nor the Company’s advisors whose names appear on pages (f) and (g) of this Prospectus (“Advisors”) have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at its date of issue is subject to change. In particular, the actual financial position of the Company and the value of the Company’s Shares may be adversely affected by future developments such as inflation, interest rates, taxation, or other economic or political factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral or written interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of ACIC, its Directors or any of its Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial position or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

The Offering is for Registered Shareholders and the public, both Institutional and Retail investors, that are eligible to trade on the Saudi Stock Exchange during the period from Tuesday 22/03/1436H (corresponding to 13/01/2015G) until the close of trading on Thursday 02/04/1436H (corresponding to 22/01/2015G). Subscription for the New Shares will be in two phases: (a) the First Offering Phase: from Tuesday 22/03/1436H (corresponding to 13/01/2015G) until the end of the day on Thursday 02/04/1436H (corresponding to 22/01/2015G) (the “First Offering Phase”), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the meeting of the General Assembly. Only the subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Phase coincides with the Trading Period during which Registered Shareholders and the eligible Institutional and Retail investors may trade in the Rights.

(b) Second Offering Phase: from Sunday 05/04/1436H (corresponding to 25/01/2015G) until the end of the day on Tuesday 07/04/1436H (corresponding to 27/01/2015G) (the “Second Offering Phase”), during which all Rights holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as “Eligible Persons,” and each an “Eligible Person”), may exercise their Rights to subscribe. No trading of Rights shall take place in this period.

In the event that any Shares remain unsubscribed for in the First and Second Offering Periods (the “Rump Shares”), they will be offered to a number of institutional investors (referred to as “Institutional Investors”), provided that such Institutional Investors submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on Sunday 12/04/1436H (corresponding to 01/02/2015G) until the following day at 10:00 AM on Monday 13/04/1436H (corresponding to 02/02/2015G). This offering will be referred to as the “Rump Offering.” The Allocation of the Rump Shares will start from the Applicants making the highest Bid and move to successive lower Bid levels until all the Rump Offer Shares have been allocated. While moving to successive lower Bid levels, if sufficient Rump

Shares are not available to meet the demand at a particular Rump Offer Share Bid price, then the remaining Rump Shares will be allocated pro rata to the Applicants bidding at that price. Fractional Shares will be added to the Rump Shares and treated in the same manner. The total Offer Price for the Rump Shares will be paid to the Company and all proceeds resulting from the sale of Rump Shares and Fractional Shares (exceeding the Offer Price) shall be distributed to the Eligible Persons proportional to their entitlement no later than Thursday 23/04/1436H (corresponding to 12/02/2015G).

The Offering in this Prospectus rests upon the approval of the shareholders. An Extraordinary General Assembly has been called for Tuesday 15/03/1436H (corresponding to 06/01/2015G) for the Company to approve the Offering. Investors should be aware that, if the shareholders' approval of this Offering is not obtained, the Rights Issue will be stopped and this Prospectus will thus be deemed invalid. In such event, shareholders will be notified.

Industry and Market Data

The market and industry information herein are derived from different sources. Such information, sources and projections are considered reliable and the Company has exerted appropriate and reasonable efforts to verify these sources. Neither the Company nor its directors have any reason to believe that any of the market and industry information is inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. These sources include:

1. Saudi Arabian Monetary Agency ("SAMA") Report on the Insurance Market in Saudi Arabia for 2013G

   Saudi Arabian Monetary Agency

   Al-Ma'ather Street, Riyadh

   P.O. Box 2992

   Riyadh 11169

   Kingdom of Saudi Arabia

   Tel: +966 (11) 463 3000

   Fax: +966 (11) 466 2966

   www.sama.gov.sa

SAMA, the central bank of the KSA, was established in 1372H (corresponding to 1952G). The main functions of SAMA include:

- Issuing the national currency, the Saudi Arabian Riyal;
- Acting as a banker to the government and supervising commercial banks;
- Managing KSA's foreign exchange reserves;
- Conducting monetary policy to promote price and exchange rate stability;
- Promoting growth and ensuring the soundness of the banking and financial system; and
- Supervising and regulating the Insurance sector.

The information used from SAMA is publicly available and can be found on the internet. Consent to use this information in the Prospectus has not been sought.

2. Swiss Re Group ("Swiss Re") Report

   The Swiss Re Group (Swiss Re)

   P.O. Box 8022

   Zurich

   Switzerland

   Tel: +41 (43) 285 2121

   Fax: +41 (43) 285 2999

   www.swissre.com

The Swiss Re Group is a leading provider of reinsurance. It was established in 1863G in Zurich, Switzerland, and operates in more than 25 countries worldwide. Swiss Re issues reports on the global insurance industry and these reports are publicly available on the internet. The information used from Swiss Re is publicly available and can be found on its website. Consent to use this information in the Prospectus has not been sought.

Financial Information

The Company's audited financial Statements for financial years 2011, 2012 and 2013 as well as the notes thereto, published in Saudi Arabian Riyals (SAR), have been prepared in conformity with the International Financial Reporting Standards ("IFRS") and not in conformity with the accounting standards recognized in the Kingdom of Saudi Arabia certified by the Saudi Organization for Certified Public Accountants (SOCPA). The Company asserts that there are no material differences of fiscal effect on the financial Statements as a result of their preparation in conformity with the international standards. The Statements for the years 2011 and 2012 were audited by Deloitte & Touche/Bakr Abulkhair & Company and Al Bassam Certified Public Accountants. The Statements for the year 2013 were audited by KPMG/Al Fozan & Al Sadhan and Al Bassam Certified Public Accountants.

Forecasts and Forward-Looking Statements

The forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain Statements in this Prospectus constitute "forward-looking-Statements". Such Statements can generally be identified by their use of forward-looking words such as "plans," "estimates," "believes," "expects," "anticipates," "may," "will," "should," "expected," "would be," "might," "guess" or the negative or other variation of such terms or comparable terminology. These forward-looking Statements reflect the current views of the Company and its management with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking Statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (refer to section 2 – "Risk Factors"). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Pursuant to the requirements of the Listing Rules, ACIC must submit a supplementary prospectus to the Authority if at any time after the Prospectus has been approved by the Authority and before admitting the Offer Shares to the Official List, ACIC becomes aware that (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules; or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking Statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Eligible Shareholders should consider all forward-looking Statements in light of these explanations and should not place undue reliance on forward-looking Statements.

Corporate Directory

Board of Directors

Name	Position	Nationality	Age	Shareholding	Representing	Membership Capacity
Ali Husein Alireza	Chairman	Saudi	53	1000		Independent, Non-Executive
Ossama Abdul Bagi Bukhari	Board member	Saudi	51	1000	Riyad Bank	Non-Independent, Non-Executive
Mohammed Saud Al-Blehed	Board member	Saudi	52	1000		Independent, Non-Executive
Khalid Abdul Aziz Al-Hamdan	Board member	Saudi	57	1000		Independent, Non-Executive
Sean William Lowther	Board member	British	54	1000	RSA ME	Non-Independent, Non-Executive
Adel Ahmed Al-Sheikh	Board member	Saudi	54	1000	Riyad Bank	Non-Independent, Non-Executive
Khalid Jaafar Allagany	Managing Director and Board Member	Saudi	47	1000	RSA ME	Non-Independent, Executive
Christopher Phillip Dooley	Board member	British	54	1000	RSA ME	Non-Independent, Non-Executive
Andrew John Burke	Board member	British	45	1000	RSA ME	Non-Independent, Non-Executive

Source: Company

* Pursuant to the Companies Regulation, each Director must own shares valued at SAR 10,000. One thousand (1,000) shares have been allocated to each Director referred to above by the Major Shareholders in accordance with the Companies Regulation.

Al Alamiya for Cooperative Insurance

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Office No. 203, Tahlia Street, Suleymaniyah
P.O. Box 6393
Riyadh 11442
Saudi Arabia
Tel: +966 (11) 465 1520
Fax: +966 (11) 4645457
Website: www.alamiyainsurance.com.sa
Email: alamiya.insurance@sa.rsagroup.com

Board of Directors' Secretary

Prasanna Venkatesh Muthukrishnan
2nd Floor, Office Court Building
P.O. Box 28648
Dubai
United Arab Emirates
Mobile: +971 (50) 551 5876
Fax : + 971 (4) 368 8133
Website: www.alamiyainsurance.com.sa
Email: m.venkatesh@ae.rsagroup.com

Company's First Delegated Representative

Adel Ahmed Al-Sheikh
ACIC Board Member
Riyadh Bank
Al-Batha
King Faisal Street
P.O. Box 22622
Riyadh 11416
Saudi Arabia
Tel: +966 (11) 401 3030
Fax: +966 (11) 404 0627
Website: www.alamiyainsurance.com.sa
Email: adel.al-sheikh@riyadbank.com

Company's Second Delegated Representative

Khalid Jaafar Allagany
Managing Director and Board Member
Al Alamiya for Cooperative Insurance Company
2nd Floor, Abdullatif Building,
Office No. 203, Tahlia Street, Suleymaniyah
P.O. Box 6393
Riyadh11442
Saudi Arabia
Tel: +966 (11) 465 1520
Fax: +966 (11) 464 5457
Website: www.alamiyainsurance.com.sa
Email: khalid.allagany@sa.rsagroup.com

Saudi Stock Exchange

Tadawul
Abraaj Attawuneiya
700 King Fahd Road
P.O. Box 60612
Riyadh 11555
Saudi Arabia
Tel: +966 (11) 218 1200
Fax: +966 (11) 218 1260
Website: www.Tadawul.com.sa
Email: webinfo@Tadawul.com.sa

Main Banks of the Company

Riyad Bank
King Abdulaziz Road
P.O. Box 22622, Riyadh 11416
Saudi Arabia
Tel: +966 (11) 401 3030
Fax: +966 (11) 404 2707
Website: www.riyadbank.com.sa
Email: customercare@riyadbank.com

The Saudi British Bank
Prince Abdulaziz bin Musaed bin Jlawy Street
P.O. Box 9084, Riyadh 11413
Saudi Arabia
Tel: +966 (11) 405 0677
Fax: +966 (11) 405 0660
Website: www.sabb.com
Email: sabb@sabb.com

Advisors

Financial Advisor, Lead Manager and Underwriter

GIB Capital
Tawuniya Towers, King Fahd Road
South Tower, 3rd Floor
P.O. Box 89589, Riyadh 11673, Saudi Arabia
Tel: +966 (11) 218 0555
Fax: +966 (11) 218 0055
Website: www.gibcapital.com
Email: contact@gibcapital.com

Chartered Accountants for 2011 and 2012

Deloitte & Touche Bakr Abulkhair & Company
Prince Turki bin Abdullah Al Saud Street
Suleymaniyah, Riyadh
P.O. Box 213, Riyad 11411, Saudi Arabia
Tel: +966 (11) 282 8400
Fax: +966 (11) 293 0880
Website: www.deloitte.com
Email: ialalem@deloitte.com

Al-Bassam Certified Public Accountants and Consultants
Al-Moheesin Building, 9th Floor
P.O. Box 2732, Riyadh 11461, Saudi Arabia
Tel: +966 (11) 206 5333
Fax: +966 (11) 206 54444
Website: www.albassamcpa.com
Email: info@albassamcpa.com

Allied Accountants
Al-Bassam & Al-Nemer CPAS
P.P. License 520 / 11 / 323

Chartered Accountants for 2013

KPMG Al Fozan & Al Sadhan
KPMG Building, Salahudeen Road,
Riyadh, Saudi Arabia
P.O. Box 92876, Riyadh 11663
Tel: +966 (11) 874 8500
Fax: +966 (11) 874 8600
Website: www.kpmg.com.sa
Email: marketingsa@kpmg.com

Al-Bassam Certified Public Accountants and Consultants
Al-Moheesin Building, 9th Floor
P.O. Box 2732, Riyadh 11461
Saudi Arabia
Tel: +966 (11) 206 5333
Fax: +966 (11) 206 54444
Website: www.albassamcpa.com
Email: info@albassamcpa.com

Allied Accountants
Al-Bassam & Al-Nemer CPAS
P.P. License 520 / 11 / 323

Legal Advisor for the Issue

The Law Firm of Wael A. Alissa
in association with Dentons & Co.
Tatweer Tower, Tower 1, Level 8
P.O. Box 59490, Riyadh 11525
Saudi Arabia
Tel: +966 (11) 200 8678
Fax: +966 (11) 200 8679
Website: www.dentons.com
Email: anas.akel@dentons.com

Financial Due Diligence Advisors

PricewaterhouseCoopers [Al-Jarid]
Kingdom Tower, Level 21
P.O. Box 13933, Riyadh 11414
Saudi Arabia
Tel: +966 (11) 211 0400
Fax: +966 (11) 211 0401
Website: www.pwc.com
Email: antoine.aboumansour@sa.pwc.com

Note: All of the above entities have given and have not withdrawn their written consent to the publication of their names and the publication of their Statements in this Prospectus, and do not themselves, nor any of their employees, relatives or affiliates, have any shareholding or interest of any kind in the Company or any of the Company's affiliates.

Receiving Banks

National Commercial Bank (NCB)
King Abdul Aziz Road
P.O. Box 3555, Jeddah 21481
Saudi Arabia
Tel.: +966 (12) 649 3333
Fax: +966 (12) 643 7426
Website: www.alahli.com
Email: contactus@alahli.com

Saudi British Bank (SABB)
Prince Abdul-Aziz Bin Mansour Bin Jalawi Street
P.O. Box 9084, Riyadh 11413
Saudi Arabia
Tel.: +966 (11) 405 0677
Fax: +966 (11) 405 0660
Website: www.sabb.com
Email: sabb@sabb.com

SAMBA Financial Group
King Abdul-Aziz Road
P.O. Box 883, Riyadh 11421
Saudi Arabia
Tel.: +966 (11) 477 4770
Fax: +966 (11) 479 7979
Website: www.samba.com
Email: customercare@samba.com

Summary of the Offering

Company	Al Alamiya for Cooperative Insurance Company ("Al Alamiya", "ACIC", or the "Company") is a Saudi joint stock company formed in accordance with Royal Decree No. M/2 dated 09/01/1430H (corresponding to 06/01/2009G), registered under Commercial Registration No. 1010287831.
Summary of the Company's Activities	The objectives of the Company are to engage in cooperative insurance operations and all related activities such as reinsurance, agencies, representation, correspondence and brokerage, all in accordance with the provisions of the Law on Supervision of Cooperative Insurance Companies, its Implementing Regulations and such other laws and regulations in force in the Kingdom. The Company may undertake all activities as may be required for achieving its objectives whether with respect to insurance or investing its funds and to own, dispose of, sell, replace or lend its immovable properties or liquid assets, whether directly or through companies to be established or acquired by the Company or in association with other entities. The Company may have an interest in, or participate in, any other entities that are engaged in activities or fiscal activities similar to those of the Company or which may assist the Company in realising its objects and may merge with or acquire said entities. The Company may exercise such activities as stated above whether within or outside the Kingdom of Saudi Arabia.
Major Shareholders	The shareholders that own 5% or more of the Issued Shares. They are: Royal & Sun Alliance Insurance Group (Middle East), a closed Bahraini joint stock company, holding 10,014,000 shares, equivalent to 50.07% of the Company's shares. Riyad Bank (a public joint stock company), located in Saudi Arabia, holding 3,984,000 shares, equivalent to 19.9% of the Company's shares.
Strategic Partners	The Company's strategic shareholders include Royal & Sun Alliance Insurance Group (Middle East), with a holding of 50.07% in the Company. Royal & Sun Alliance Insurance Group is also a Related Party under the agreement for technical and administrative support entered into with the Company. The Strategic Partners are partners who provide support to the Company due to their experience and technical, scientific and operational knowledge about the Company's activities, offering added value to the Company due to their possession of this particular knowledge.
Nature of the Offering	Capital increase through new rights
Offering Price	SAR 10 per share, representing the value of subscribing to the New Share
Adjusted Price	The Company's share price, as at the close of trading on the day of the EGM, and after the approval of the capital increase by the shareholders, was amended to SAR 56.26 per share. This represents a price reduction of SAR 45.74 per share.
Nominal Value	SAR 10 per share.
Number of existing issued shares before the Offering	20,000,000 fully paid Ordinary Shares
Company's capital prior to the Offering	SAR 200,000,000
Total New Shares offered	20,000,000 shares
Number of shares after the capital increase	40,000,000 shares
Company's Share Capital after the capital increase	SAR 400,000,000
Percentage increase in Share Capital	The Company's share capital will be increased by SAR 200,000,000 representing a 100% increase in the Company's capital before the Offering
Total Offering Value	SAR 200,000,000
Offering Expenses	SAR 10,000,000
Total Offering Proceeds after deducting the Offering Costs	SAR 190.000.000

Number of New Shares underwritten	20,000,000 shares
Value of New Shares underwritten	SAR 200,000,000
Use of Proceeds	The total Proceeds of this Offering are estimated at SAR 200,000,000, from which will be deducted the Offering expenses of SAR 10,000,000 that include the fees of the Financial Adviser, the Legal Advisor, the accountants preparing the reports, Receiving Bank expenses, marketing, printing and distribution expenses and other expenses related to the Offering. The Company intends to use the net offering proceeds to preserve the required solvency margin and the minimum Company capital in accordance with the requirements of the Implementing Regulations of the Law on the Supervision of Cooperative Insurance Companies. The Shareholders will not obtain any proceeds arising from the Offering (see section 10 – "Use of Proceeds").
Eligibility Date	Close of trading on the day of the EGM voting on the increase in the Company's capital according to the Board recommendation on Tuesday 15/03/1436H (corresponding to 06/01/2015G)
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM
Rights Issue	Offer of tradable securities giving their holder the priority to subscribe to the New Shares upon approval of the capital increase. It is an acquired right for all registered shareholders in the Company's Register as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights will be deposited within two days after the EGM and will appear in Registered Shareholders' accounts under a new Rights code. At that time, Registered Shareholders will be notified and the Rights will be deposited in their accounts.
New Shares	The Shares offered for subscription by Registered Shareholders resulting in an increase in the capital of the Company
Rights Issue Ratio	One (1) Right for every one (1) existing Share owned by a Registered Shareholder. This ratio is the result of dividing the number of New Shares issued by the number of the Company's current shares.
Number of Rights Issued	20,000,000 rights
First Offering Phase	The period from Tuesday 22/03/1436H (corresponding to 13/01/2015G) until the end of the day on Thursday 02/04/1436H (corresponding to 22/01/2015G) during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) to the New Shares up to the number of Rights deposited in their accounts after the EGM. Subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Phase coincides with the Trading Period during which Registered Shareholders and the public, both institutional and individual investors entitled to trade on the Saudi Exchange, may trade in the Rights.
Trading Period	From Tuesday 22/03/1436H (corresponding to 13/01/2015G) until the end of trading on Thursday 02/04/1436H (corresponding to 22/01/2015G) during which Registered Shareholders and the public, including institutional and individual investors entitled to trade on the Saudi Exchange, may trade the Rights.
Second Offering Phase	The period from Sunday 05/04/1436H (corresponding to 25/01/2015G) until the end of the day on Tuesday 07/04/1436H (corresponding to 27/01/2015G) during which all Rights' holders, whether Registered Shareholders or purchasers of Rights during the Trading Period, may exercise their Rights to subscribe for New Shares. No trading of Rights shall take place in this period.
Rump Shares	The remaining shares which were not subscribed for during the First and Second Offering Periods.

Rump Offering	The Rump Shares will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such institutional investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00 AM on Sunday 12/04/1436H (corresponding to 01/02/2015G) until 10:00 AM on Monday 13/04/1436H (corresponding to 02/02/2015G) The Allocation of the Rump Shares will start from the Applicants making the highest Bid and move to successive lower Bid levels until all the Rump Offer Shares have been allocated. While moving to successive lower Bid levels, if sufficient Rump Shares are not available to meet the demand at a particular Rump Offer Share Bid price, then the remaining Rump Shares will be allocated pro rata to the Applicants bidding at that price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights during the Trading Period.
Listing of the Rights and Trading	Tadawul will provide mechanisms for regulating the trading of Rights within its system. Tadawul will create a separate symbol for the ACIC Rights (separate from the ACIC trading symbol for the existing Shares on the Tadawul screen). Registered Shareholders shall have the following options during the Offering and Trading Periods: 1. Exercising their Rights to subscribe to the New Shares; 2. Selling the Rights or a part thereof through Tadawul; 3. Purchasing additional Rights on Tadawul; or 4. Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe to the New Shares. In this case, the Rump Shares resulting from not exercising or selling the Rights will be offered in the Rump Offering. Institutional Investors and Individual Investors entitled to trade on the Saudi Stock Exchange may, during the Trading Period, purchase and sell Rights through the Exchange and, provided the Rights are held until the end of the First Offering Period, may exercise such Rights to subscribe for New Shares, during the Second Offering Period only. The "Tadawul" system will cancel the ACIC Rights Issue symbol on the Tadawul screen after the end of the Trading Period. Therefore, Rights trading will end with the end of the Trading Period.
Indicative Value of the Right	The indicative value of a Right reflects the difference between the market value of the Company's share during the Trading Period and the Offer Price. The Indicative Value of the Right will be calculated and published continuously throughout the Trading Period on the Exchange's website with a five-minute delay to facilitate investor access to the Indicative Value when entering orders.
Right Trading Price	The price at which the Right is traded. This price is set through Tadawul's bid/offer mechanism and may therefore differ from the Indicative Value of the Right.
Exercising the Rights	Eligible Persons may subscribe to New Shares by completing a Subscription Application Form and paying the relevant fee at the Receiving Banks' branches or by subscribing electronically through the Receiving Banks. Eligible Persons may exercise their Rights as follows: 1- During the First Offering Phase, only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) to the New Shares up to the number of Rights deposited in their accounts after the EGM. Subscription to the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Phase coincides with the Trading Period during which Registered Shareholders and the public, both institutional and individual investors entitled to trade on Tadawul, may trade in the Rights. 2- During the Second Offering Phase, all Rights holders, whether Registered Shareholders or purchasers of Rights during the Trading Period, may exercise their Rights to subscribe. No trading of Rights shall take place in this period. In the event that Rights have not been exercised by Eligible Persons before the end of the Second Offering Period, the Rump Shares, resulting from the unexercised Rights or failure to sell the Rights, will be offered in the Rump Offering.
Shares Allocation	Shares will be allocated to each investor according to the number of Rights subscribed for in a complete and correct manner. (With regard to Fractional Shares, all Fractional Shares will be pooled and allocated to Institutional Investors during the Rump Offering.) The total Offer Price for the Rump Shares will be paid to the Company and all additional proceeds resulting from the sale of Rump Shares and Fractional Shares shall be distributed to the Eligible Persons proportional to their entitlement no later than Thursday 23/04/1436H (corresponding to 12/02/2015G). (See section 14 - "Subscription Terms and Conditions").

Payment of Compensation Amounts (if any)	The Compensation Amounts will be paid to Eligible Persons who did not subscribe wholly or partially to the New Shares, as well as to the holders of fractional Shares on Thursday 23/04/1436H (corresponding to 12/02/2015G) at the latest (See section 14 - "Subscription Terms and Conditions"). Compensation Amounts represent the proceeds received in excess of the offer price from the sale of the Rump Shares and fractional Shares in the Rump Offering.
Dividends	The New Shares will be entitled to receive any dividends declared by the Company for future years for the period from the commencement of the Offering and for the following financial years (see section 8 – "Dividends Distribution Policy").
Voting Rights	The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least twenty (20) shares has the right to attend and vote at the EGM.
Risk Factors	There are certain risks related to investing in the New Shares. These risks can be categorized into (i) risks related to the Company's operations; (ii) risks related to the insurance market and regulatory environment in the KSA; and (iii) risks related to ordinary shares. These risks are described in the "Risk Factors" section of this Prospectus which should be considered carefully prior to making an investment decision relating to the Rights and the New Shares (see section 2 – "Risk Factors" for more information).
Shares Trading	Trading in the New Shares will start on Tadawul upon the completion of all procedures relating to the registration, allocation and listing of the New Shares.
Shares previously listed by the Issuer	The Company listed 20,000,000 ordinary shares on 20/12/1430H (corresponding to 8/12/2009G) on the Saudi Stock Exchange (Tadawul). Institutional Investors subscribed to 70% of the Company's share capital and 30% of the share capital was offered for public subscription.
Share restrictions	The Company's shares were listed on 20/12/1430H (corresponding to 8/12/2009G). Founders were subject to a lock-in period for disposing of the shares. That period has ended and there are no longer any restrictions on the Company's shares, although the required approvals must be obtained from SAMA and the CMA for any sale or trading of shares by the Founders.
Rights restrictions	There are no rights restrictions. The Strategic Partners confirmed full subscription to the Rights by letters sent to SAMA on 14/7/2014G.

Notice: The "Important Notice" and "Risk Factors" sections of this Prospectus should be considered carefully prior to making a decision to invest in the Offer Shares.

Key Dates for Subscribers

Table: Key Dates for Eligible Persons

EGM Date, Date for determining the Eligibility and the Registered Shareholders	Tuesday 15/03/1436H (corresponding to 06/01/2015G)
First Offering Period Date and Trading in Rights	From Tuesday 22/03/1436H (corresponding to 13/01/2015G) until Thursday 02/04/1436H (corresponding to 22/01/2015G)
Second Offering Period Date	From Sunday 05/04/1436H (corresponding to 25/01/2015G) until Tuesday 07/04/1436H (corresponding to 27/01/2015G)
Offering Period End Date and deadline for submitting Subscription Application Forms	Tuesday 07/04/1436H (corresponding to 27/01/2015G)
Rump Offering Period Date	From Sunday 12/04/1436H (corresponding to 01/02/2015G) until Monday 13/04/1436H (corresponding to 02/02/2015G)
Final Allocation Notification	Wednesday 15/04/1436H (corresponding to 04/02/2015G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Fractional Shares	Thursday 23/04/1436H (corresponding to 12/02/2015G)
Expected date for the commencement of trading in New Shares	After completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website.

The above timetable and all dates therein are approximate. Actual dates will be communicated through local newspapers published in the KSA as well as on the Tadawul website (www.Tadawul.com.sa).

Key Announcement Dates

Table: Key Announcement Dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the EGM meeting (Eligibility Date)	Company	Tuesday 15/03/1436H (corresponding to 06/01/2015G)
Announcement regarding the EGM meeting outcome, including the approval of the Company's capital increase	Company	Tuesday 15/03/1436H (corresponding to 06/01/2015G)
Announcement regarding the change in the Company's share price, Rights deposit and announcement regarding the Indicative Value of the Right	Tadawul	Wednesday 16/03/1436H (corresponding to 07/01/2015G)
Announcement regarding the New Shares subscription periods and the Trading Period	Company	Tuesday 15/03/1436H (corresponding to 06/01/2015G)
Reminder regarding the commencement of the First Offering Period and the Trading Period	Company	Sunday 20/03/1436H (corresponding to 11/01/2015G)
Reminder of the last Trading day for the Rights Issue and the importance of selling Rights for those not willing to exercise such Rights	Tadawul	Thursday 02/04/1436H (corresponding to 22/01/2015G)
Announcement regarding the commencement of the Second Offering Period	Company	Sunday 05/04/1436H (corresponding to 25/01/2015G)
Reminder about the last Trading day for submitting Subscription Application Forms for the Second Offering Period	Company	Tuesday 07/04/1436H (corresponding to 27/01/2015G)
Announcement regarding: • Outcome of the First and Second Offering Periods • Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering	Company	Thursday 09/04/1436H (corresponding to 29/01/2015G)
Announcement regarding the outcome and prices of the Rump Offering at the final allocation	Company	Wednesday 15/04/1436H (corresponding to 04/02/2015G)
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	Sunday 19/04/1436H (corresponding to 08/02/2015G)
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	Company	Thursday 23/04/1436H (corresponding to 12/02/2015G)

The above timetable and all dates therein are approximate. Actual dates will be communicated through local newspapers published in the KSA as well as on Tadawul's website (www.Tadawul.com.sa).

How to Apply for Subscription

Subscribing in the Rights Issue shall be limited to Eligible Persons initially. In the event that Eligible Persons do not subscribe for the New Shares, any unsubscribed shares shall be offered to Institutional Investors through the Rump Offering. Eligible Persons wishing to subscribe for the New Shares shall fill the Subscription Application Forms available during the First and Second Offering Phases (as applicable) at the Receiving Banks' branches and then deliver them to any of these Receiving Banks before the end of the Second Offering Phase (even if they do not have an account with the Receiving Bank). It is also possible to apply through the internet, phone or ATMs of any of the Receiving Banks that offer one or all of these services to Eligible Persons, under the basic condition that the subscriber has a bank account with the Receiving Bank that offers such services, and there have been no updates in the personal information of that Eligible Person.

Subscription Application Forms must be completed in accordance with the instructions mentioned under section 14 – "Subscription Terms and Conditions" of this Prospectus. Each subscriber must agree to all of the related paragraphs contained in the Subscription Application Form and complete this form. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the Subscription terms or requirements. No amendment or withdrawal can be made to the Subscription Application Form after submission to the Receiving Bank branches. Once accepted by the Company, a Subscription Application Form shall represent a legally binding contract between the Company and the Eligible Person (please see section 14 – "Subscription Terms and Conditions" of this Prospectus).

Q & A about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the Company's capital increase. They are acquired rights for all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

Who is granted the Rights?

Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the EGM.

When are the Rights deposited?

The Rights are deposited within two days after the EGM meeting. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or subscribed for until the beginning of the Trading Period and the Offering Period.

How are Registered Shareholders notified of the Rights being deposited in their accounts?

Registered Shareholders are notified through an announcement on the Tadawul website.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder depends upon the Rights Issue ratio and the number of Shares held by the Registered Shareholder as at the close of trading on the date of the EGM meeting.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she owned on the date of the EGM. If a company, for example, issues 1,000 shares and increases its capital by offering 200 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 5 (one new share for every five shares).

Are these Rights tradable and will they be added to the Shareholders accounts under the same name/symbol as the Company's shares; or will they be assigned a new name?

The Rights Issue will be deposited in Shareholders' accounts under a new symbol specially assigned to the Rights Issue.

What is the Right value upon the commencement of trading?

The Right opening price is the difference between the closing price of the Company's share on the day preceding the Right listing and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 and the Offer Price is SAR 10, the opening price of the Rights will be 35 minus 10, i.e. SAR 25.

Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares only by purchasing new Rights during the Trading Period. These Rights can be exercised to subscribe for the new additional shares only during the Second Offering Period.

How does the Offering take place?

The Offering will take place as it currently does by submitting Subscription Application Forms at any of the Receiving Banks' branches (mentioned in this Prospectus) and only during the First and/or Second Offering Periods.

Is it possible to subscribe more than once and through more than one Receiving Bank?

It is possible, however, keep in mind that the quantity of shares subscribed to may not exceed the number of Rights owned at the end of the Trading Period. Subscription requests for any shares exceeding the number of rights owned at the end of the Trading Period will be cancelled.

If Company shares are owned by more than one investment account, in which account will the Rights be deposited?

The Rights will be deposited in the same account in which the Company shares related to the Rights were deposited. For example, if a Shareholder owned 1000 shares in the Company (800 shares in account (a) and 200 shares in account (b)) and 1000 Rights were to be distributed with each share having one Right, 800 rights would be deposited in account (a) and 200 rights in account (b).

If a subscription is made through more than one account, where will the New Shares be deposited after the allocation?

According to the rules of the Securities Depository Center, share securities are deposited in the investment account mentioned first in the Subscription Application or that most recently established by the securities holder, with the exception of the deposit of share certificates.

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in investment accounts through the Receiving Banks or Tadawul's depository center and submitting the requisite documents.

What happens if New Shares are subscribed for, and then the Rights are sold after that?

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights prior to the end of the Offering period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of Rights sold. In this case, the Registered Shareholder will be notified by its Receiving Bank and the rejected Offering amount will be refunded.

Are additional Rights purchasers entitled to trade them again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

Is it possible to subscribe during the weekend between the First and Second Offering Phases?

No, that is not possible.

When can a shareholder subscribe to Rights purchased during the Trading Period?

During the second period only, after the end of the Rights Trading Period.

Can an Eligible Person sell the Right after the end of the Trading Period?

That is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. If the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What happens to Rights that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Periods?

The Rump Shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

Will there be any additional fees for the trading in Rights?

The same commissions applying to the shares will also apply on sale and purchase transactions, without a minimum commission being imposed.

Summary of Key Information

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the Company. Capitalized and abbreviated terms have the meanings ascribed to such terms in the "Definitions and Abbreviations" section and elsewhere in this Prospectus.

About the Company

Al Alamiya for Cooperative Insurance Company (referred to as "Al Alamiya", the "Company", "ACIC" or the "Issuer") is a Saudi joint stock company registered under Commercial Registration No. 1010287831 dated 29/11/1430H (corresponding to 17/11/2009G) and Royal Decree No. M/2 dated 09/01/1430H (corresponding to 6 January 2009G).

Pursuant to SAMA license No. TMN/24/200912 dated 26/12/1430H (corresponding to 13 /12/2009G), the Company is licensed to transact insurance and reinsurance business in general insurance, health insurance and protection and savings.

The Company's head office is located in Riyadh, Saudi Arabia. The Company engages in various types of insurance activities, based on the principles of cooperative insurance, under the supervision of the Saudi Arabian Monetary Agency (SAMA), which is the official agency responsible for enforcement and oversight of cooperative insurance companies and the Implementing Regulations thereof.

As of 15 June 2014G, ACIC had one hundred and twenty eight (128) employees of which sixty seven (67) are Saudi nationals giving a Saudisation ratio of 52.34%.

Vision

The vision of the Company is to become a leading insurer in the market and one of the most reliable and innovative insurance solution providers through development of partnerships and teamwork.

Mission

The mission of the Company is to protect individuals and companies against the risks they face in their daily life and business activities by providing insurance products and services that meet their needs and expectations.

Strategy

ACIC's strategy focuses on providing service-led solutions and products by partnering with brokers, partners and customers for creating a platform from which ACIC can consistently deliver sustainable and profitable growth. The strategy is aimed at delivering "out-performance" and is based on four key pillars as business drivers:

- Brokers: Al Alamiya has recently undertaken a special initiative to develop customized service-driven propositions to brokers, aiming to provide enhanced and differentiated levels of service to brokers based on the volume and profitability of the business placed by them.
- Affinities: The Company is looking to service insurance needs of retail customers through its affinity and agency distribution partners. These partners include Riyad Bank and other agencies.
- Alternate products: Al Alamiya is looking to leverage the global product experience of the RSA Group to bring in new and innovative products to the KSA market to tap into the virgin territory of providing alternate lifestyle products to meet the diverse and increasing needs of the Kingdom's populace.
- Alternate segments: In view of the intense competition, the Company is identifying new "greenfield" segments in the market to create a niche for its alternate products. Al Alamiya is also exploring avenues to increase the technical capabilities of its employees to address the needs of existing market and customer segments where it is not a strong player. A Key Account Management team has also been set up to service the existing customers.

In order to be able to provide the highest levels of service consistently to deliver customer satisfaction and build lasting partnerships, Al Alamiya has identified the following four key enablers:

- Operational excellence
- Engagement and teamwork
- Continuous capability enhancement
- Robust control and compliance framework

The objective of these enablers is to help build and develop internal capabilities to support the Company's externally focused activities and make it more agile in responding to business and market needs as well as to differentiate itself through service offerings.

Strengths and Competitive Advantages

The Company benefits from a number of advantages compared to some of its competitors in the insurance market. These advantages include the following:

- Strategic Partners: The Company's Strategic Partners include RSA ME with a 50.07% ownership of the Company. RSA Group is a related party under the agreement to provide technical and administrative support entered into with the Company. Strategic Partners are those partners who provide support to the Company due to their possession of experience and technical, scientific, and operational knowledge regarding the Company's activities, providing added value to the Company due to their possession of this qualitative knowledge.
- RSA ME is a member of the RSA Group. RSA Group currently operates in 33 countries and provides a wide range of general insurance products and services in over 140 countries to over 17 million customers. RSA Group has a long trading history in the Middle East region spanning more than 55 years and a presence in the KSA of over 35 years. This strong relationship with RSA ME enables ACIC to access market leading products, services and expertise from the various businesses they operate around the world.
- In addition, through RSA ME, ACIC has access to the RSA Global Network and its worldwide business partners to provide global insurance programs for multi-national organizations that operate in Saudi Arabia. RSA Group is known for its leading technical insurance skills and strong training programs and access to these will enable the Company to build market leading capabilities in the Kingdom.
- As of March 2014, Standard & Poor's Rating Agency upgraded its rating for the RSA Group to (A) with a stable outlook from (A-) with 'developing credit watch.'
- Management team with KSA and global insurance expertise: This team brings together a global outlook with local experience to provide exemplary service to customers.
- Strong Customer Base: With a history of over 35 years of doing business through its branches in Jeddah, Riyadh and Al Khobar through its strategic partner RSA ME (a closed joint stock company located in Bahrain) prior to the establishment of ACIC and transfer of RSA ME's former insurance portfolio to it, the Company has established a strong base of loyal customers.
- Broad Range of Products and Services: The Company is licensed to sell thirty-seven (37) products, thirteen (13) of which have received SAMA's final approval. Twenty-two (22) products have obtained conditional approval under the status of "File & Use" until 08/04/2015G, while two other products have obtained temporary approval until 30/11/2014G. These products help to cover the growing and diverse needs of most customers and businesses. This is in addition to unlimited access to RSA knowledge and expertise.

The table below shows each of the Company's products and its status with SAMA:

Product	Status	Until
Property All -Risk Insurance	Provisional approval	8/4/2015
Business Interruption Insurance	Provisional approval	8/4/2015
Home Insurance	Provisional approval	8/4/2015
Fire and Related Risks Insurance	Provisional approval	8/4/2015
Medical Insurance	Final Approval	N/A
Group Life Insurance	Final Approval	N/A
Comprehensive Motor Insurance	Provisional approval	30/11/2014

Product	Status	Until
Compulsory Motor Insurance	Provisional approval	30/11/2014
Money Insurance	Provisional approval	8/4/2015
Vessel loading and unloading insurance	Final Approval	N/A
Banker blanket insurance	Provisional approval	8/4/2015
Stop Loss Insurance for Public Liability and Product Liability	Final Approval	N/A
Public Liability Insurance	Final Approval	N/A
Public Liability and Product Liability Insurance	Final Approval	N/A
Medical Malpractice Insurance	Provisional approval	8/4/2015
Lost Wallet Insurance	Provisional approval	8/4/2015
Small Business Solutions Insurance	Provisional approval	8/4/2015
Workers Compensation Insurance	Provisional approval	8/4/2015
Personal Accident Insurance	Final Approval	N/A
Travel Insurance	Provisional approval	8/4/2015
Employee Dishonesty Insurance	Final Approval	N/A
Hospital Cash Benefit Insurance	Final Approval	N/A
Boiler and Pressure Vessel Insurance	Provisional approval	8/4/2015
Comprehensive Equipment Insurance	Provisional approval	8/4/2015
Comprehensive Business Insurance	Provisional approval	8/4/2015
Contractor All-Risk Insurance	Provisional approval	8/4/2015
Contract Works Insurance	Provisional approval	8/4/2015
Contractor Building and Equipment Insurance	Provisional approval	8/4/2015
Electronic Devices Insurance	Provisional approval	8/4/2015
Erection All Risks Insurance	Provisional approval	8/4/2015
Erection All Risks Profit Loss Insurance	Provisional approval	8/4/2015
Machinery Breakdown Insurance	Provisional approval	8/4/2015
Equipment Profit Loss Insurance	Provisional approval	8/4/2015
Land Crossing Insurance	Final Approval	N/A
Open Cargo Insurance	Final Approval	N/A
Yacht Insurance	Final Approval	N/A
Limited Land Crossing Insurance	Final Approval	N/A

Leading Technology: The Company uses market-leading technology solutions to manage insurance portfolios.

- Strong relationships with leading International and National Brokers: Al Alamiya is able to leverage the strong global relationships of the RSA Group.
- Clear strategy and execution mindset: The Company is following its strategy to help build long term shareholder value while being able to deliver unique customer propositions.

Overview of the Market[1]

Information contained in this section is taken from the “Market Overview” section.

1. Global Insurance Sector

The economic environment and financial markets in 2012 were challenging for insurers. Economic growth slowed in most advanced markets and Western Europe fell back into recession. Emerging markets held up better, but growth slowed due to their reliance on exports to advanced markets. The global economic growth rate in 2013 was about the same as in 2012, and still below long term forecasts.

In spite of this slowdown, global life insurance premiums increased by 0.7% in 2013 to USD 2,606 billion and insurance premiums grew by 2.3% in 2013 to USD 2,003 billion. Overall insurance penetration for the year continued without change in advanced markets, although life insurance continued to fall from the peak at 5.7% in 2000 to 4.7% in 2013. Insurance penetration in emerging markets was 2.7% in 2013.

2. Insurance Sector in the Middle East, Central Asia, and Turkey

Life insurance premiums in the Middle East, Central Asia and Turkey are estimated to have grown by 11% in 2013 to USD 6 billion. The insurance sector is estimated to have expanded 4.7% in 2013 to USD 40 billion.

3. Insurance Sector in Saudi Arabia

As of March 2014, there are a total of 35 licensed insurance and reinsurance companies. This is in addition to 76 licensed Brokers and 76 agents as well as 29 other service providers. In order to regulate the market, the Saudi government appointed SAMA to act as the body responsible for the supervision of the insurance industry under Royal Decree No. M/32 dated 2/6/1424H (corresponding to 31/7/2003).

The following factors have been the major stimulants for the insurance sector:

- The compulsory nature of some segments has been leading the sector`s growth. For instance, the compulsory medical insurance requirement in Saudi Arabia (applicable for residents since 2006 and Saudi private sector employees since 2010) resulted in an increase in the medical segment`s gross written premiums as a percentage of the aggregate sector from 32% in 2006 to 51% in 2013. Moreover, the compulsory vehicle insurance law increased the segment`s contribution to 25% of total gross written premiums in 2013.
- On 25/5/1435H (corresponding to 26/03/2014G), SAMA issued new guidelines on the insurance product pricing mechanism (to control mispriced insurance products due to intense competition), with a price floor set by an insurance actuary who assesses the relevant technical aspects and expected claims.

The prevailing low interest rate environment has impacted insurance companies’ investment income. Rising medical costs have squeezed health insurers’ profit margins.

Overall Gross Written Premiums (“GWP”) in the Saudi insurance market reached SAR 25.2 billion in 2013, as compared to SAR 21.2 billion in 2012 and SAR 18.5 billion in 2011 representing annual growths of 19% and 14% respectively. Health insurance remained the biggest line of business in 2013. Its contribution to total GWP was 51% and 53% in 2013 and 2012 respectively. Auto insurance, where third-party coverage is compulsory, is the second largest line of business, accounting for 25% of the industry in 2013.

The overall retention ratio (premiums retained by the insurance companies after subtraction of premiums ceded to local or international reinsurers from GWP) of insurance companies in the Saudi market increased from 75.8% in 2012 to 76% in 2013. The retention ratios are high because of the requirement for licensed insurance companies to adhere to a minimum retention ratio of 30%. This ratio has improved historically with the increase in underwriting capacity and sophistication of the insurance sector.

In 2013, the insurance underwriting results recorded a loss of SAR 1.7 billion, which represents a 253% decrease from 2012 figures. Investment income increased from SAR 323 million in 2012 to SAR 334 million in 2013. The insurance market’s net income decreased from SAR 972 billion in 2012 to SAR (1.4) billion in 2013, which represents a 247% decrease.

In 2013, insurance market’s ROA was 3.4% and ROE was 15.3%.

Since 2009, insurance penetration in Saudi Arabia has been decreasing at a CAGR of 3%. In 2013, insurance penetration increased to 0.90%, after being 0.78% in 2012. This is mainly due to modest growth in total GDP (2.5% in 2013 compared to 26% in 2012). However, insurance penetration for Saudi Arabia is still low when compared with developed markets as well as emerging markets (2.7% in 2013). The insurance sector in Saudi Arabia is expected to see strong improvement as a result of insurance regulations and due to the changes in the overall economy and new government policies.

1 Source: SAMA, Swiss Re

Capital Structure

The share capital of the Company stands at two hundred million Saudi Riyals (SAR 200,000,000) consisting of twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) for each share (the "Shares"). The Company's Founding Shareholders own fourteen million (14,000,000) shares representing 70% of the share capital of the Company, whose value has been paid in full. The remaining six million (6,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share with a total value of sixty million Saudi Riyals (SAR 60,000,000) representing 30% of the Company's share capital are owned by the public pursuant to an initial public offering held in 2009. These shares were listed on the Exchange on 20/12/1430H (corresponding to 08/12/2009G). The Company has not offered any privileges or preferential rights to the founding or other shareholders.

Major Shareholders as at 30/6/2014G

Name	Percentage Ownership	Number of Shares	Value (in SAR)
RSA ME	50.1%	10,014,000	100,140,000
Riyad Bank	19.9%	3,984,000	39,840,000
Total	**69.9%**	**13,998,000**	**139,980,000**

Source: Company

Summary Financial Information and Performance Indicators for Fiscal Years Ended 31 December 2011, 2012 and 2013 and for the Six Months Ended 30 June 2014

The financial information included hereunder should be read in conjunction with section 6 – "Management's Discussion and Analysis of the Company's Financial Condition and Results of Operation" and the audited financial Statements included under section 16 of this Prospectus entitled "Auditors Reports." The summary information hereunder is based on the audited financial Statements for the fiscal years ended 31 December 2011G, 2012G, 2013G, the six months ended 30 June 2014G and the related auditor's reports. The historical financial information included hereunder is only a summary of past performance and not necessarily an indication of future performance.

Table A: Statement of Financial Position for Shareholders' Comprehensive Income Statement

	FY 2011G	FY 2012G	FY 2013G	Beginning of year to 30/6/2013G	Beginning of Year to 30/6/2014G	CAGR	Annual Growth
	Audited	Audited	Audited	Unaudited	Unaudited	2011-2013G	30/6/2013G -30/6/2014G
Total premiums written	227,930	248,070	330,882	149,679	149,038	20.5%	(0.4%)
Total claims paid	(117,218)	(115,096)	(317,749)	(75,230)	(161,455)	64.6%	114.6%
Net subscription surplus	**42,191**	**57,694**	**31,682**	**20,168**	**2,373**	**(13.3%)**	**(88.2%)**
Administrative and General Expenses	(59,128)	(53,220)	(53,982)	(25,972)	(29,119)	(4.5%)	12.1%
Insurance Operations (deficit) / surplus	**(16,658)**	**4,880**	**(21,664)**	**(5,549)**	**(26,411)**	**14.0%**	**376.0%**

Table B: Statement of Financial Position

SAR Thousands	31/12/2011G	31/12/2012G	31/12/2013G	30/6/2014G
	Audited	Audited	Audited	Unaudited
Insurance operations' assets				
Total shareholders' assets	**174,117**	**173,671**	**173,416**	**174,336**
Total Assets	**505,066**	**503,215**	**1,104,842**	**969,129**
Total insurance operations' liabilities	330,950	329,543	931,426	794,793
Total shareholders' liabilities	37,801	36,255	60,309	88,045
Total shareholders' equity	136,316	137,417	113,107	86,291
Total shareholders' liabilities and equity	**505,066**	**503,215**	**1,104,842**	**969,129**

Table C: Statement of insurance operations' cash flows

SAR Thousands	FY 2011G	FY 2012G	FY 2013G	Period ended 30/6/2013G	Period ended 30/6/2014G
	Audited	Audited	Audited	Unaudited	Unaudited
Insurance operations' surplus after shareholder share	–	488	–	–	–
Net cash from operating activities	4,910	14,630	66,901	8,175	(45,659)
Net cash used in investing activities	(172)	(854)	(84,222)	(66)	8,847
Net (deficit)/increase in cash and cash equivalents	4,737	13,776	(17,321)	8,109	(36,811)
Cash and cash equivalents at the start of the period	39,270	44,007	57,783	57,783	40,462
Cash and cash equivalents at the end of the period	44,007	57,783	40,462	65,893	3,651

Analysis of main percentages						Percentage point	
GWP growth rate	N/A	8.8%	33.4%	N/A	(0.4%)	N/A	N/A
Base percentage	46.8%	47.1%	51.7%	44.3%	42.0%	5.0	(2.3)
NWP as a percentage of total written premiums	50.1%	48.5%	46.9%	48.2%	53.5%	(3.2)	5.3
Net rate of loss	64.0%	57.9%	87.1%	77.5%	101.6%	23.1	24.1
Commission paid as a percentage of total written premiums	7.0%	4.8%	5.0%	7.4%	7.1%	(2.1)	(0.4)
Commission received as a percentage of premiums paid	19.5%	21.2%	17.1%	19.0%	21.6%	(2.5)	2.6
Net percentage commission	(2.6%)	(6.9%)	(8.5%)	(6.3%)	(5.5%)	(5.9)	0.8
Net subscription surplus as a percentage of GWP	18.5%	23.3%	9.6%	13.5%	1.6%	(8.9)	(11.9)
Percentage of expenses	51.8%	44.3%	34.8%	36.0%	36.5%	(17.0)	0.5
Consolidated percentage	113.2%	95.3%	113.4%	107.2%	132.6%	0.2	25.4
Net income as a percentage of total insurance premiums	(7.3%)	2.0%	(6.5%)	(3.7%)	(17.7%)	0.8	(14.0)
Number of policies	30,787	42,710	46,807	30,796	30,710	16.020	(86)
Average GWP per policy (SAR thousands)	7.4	5.8	7.1	4.9	4.9	(0.3)	(0.7)
Number of claims	19,860	22,824	25,629	12,294	13,328	5.769	1.034
Average amount of each claim (SAR thousands)	3.7	3.0	5.3	4.5	6.1	1.6	153.3

Summary of Risk Factors

There are a number of risks related to the Rights Issue, which can be summarized as follows:

1- Risks related to the Company's operations

2- Risks related to the market and legislative environment

3- Risks related to the Shares

17. Table of Contents

List of Figures

1. Definitions and Abbreviations

Term	Definition
ACIC, Al Alamiya or the Company	Al Alamiya for Cooperative Insurance Company, a Saudi joint stock company
Advisors	The advisors listed on pages f and g
Actuary	The person who applies different statistical theories and possibilities on whose basis the prices of services are calculated, responsibilities and liabilities assessed, and reserves are calculated
Gross Written Premium (or GWP)	The total premium received by an Insurer for insurance contracts written or assumed during a specified period, without deduction for premium ceded
Net Written Premium (or NWP)	Net premiums are calculated for each branch after deduction of relevant reinsurance
Penetration rate	Total insurance premiums underwritten divided by the GDP
Insurance Density	Total premiums underwritten per capita
Board of Directors or Board	ACIC's board of directors
By-Laws	The Company's By-Laws
CAGR	Compound Annual Growth Rate
CMA or the Authority	The Capital Market Authority of the Kingdom of Saudi Arabia
Companies' Regulations	The Companies' Regulations in effect in the Kingdom of Saudi Arabia, issued under Royal Decree No. M/6 of 22/03/1385H, as amended
Solvency Margin by Claims	Total claims are classified based on historical data from the previous three years for each insurance branch. The required solvency margin is calculated by multiplying the ratio set by SAMA by average net claims.
Exchange or Tadawul	The Saudi Stock Exchange
Non-proportional reinsurance	Contractual reinsurance under which the insurer undertakes to support specific risks within the limits of certain amounts exceeding the stated loss amount born by the insurer. The reinsurer undertakes to accept the insurance for the risks attributed thereby.
Optional Reinsurance	An optional method for reinsuring each case individually wherein the reinsurer has the option to accept or reject the proposed risks.
Founding Shareholders	The major shareholders who established the Company, listed in "section 4.5.1 – Founding Shareholders"
Strategic Partners	The Company's Strategic Partners include RSA ME with a 50.07% ownership of the Company. RSA Group is a related party with an agreement with the Company to provide technical and administrative support. Strategic Partners are those partners who provide support to the Company due to their possession of experience and technical, scientific, and operational knowledge regarding the Company's activities, providing added value to the Company due to their possession of this qualitative knowledge.
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
EGM	The extraordinary general meeting of the Company from time to time
Government	Government of Saudi Arabia
Insurance Law or the Law on Supervision of Cooperative Insurance Companies	The Law on Supervision of Cooperative Insurance Companies promulgated by Royal Decree No. M/32 dated 02/06/1424H (corresponding to 31/07/2003G)

Term	Definition
Insurance Policy	A legal document or contract issued by the Company to the insured in which are stated the contract conditions for the insured's compensation against loss or damage covered by the policy for a premium paid by the insured
Implementing Regulations	The implementing rules for the Law on Supervision of Cooperative Insurance Companies, issued pursuant to the Minister of Finance's Ministerial Order No. 1/561 of 01/03/1425H (corresponding to 20/04/2004G)
Corporate Governance Regulations	Corporate Governance Regulations in the KSA issued by the board of the CMA pursuant to resolution No. 1/212/2006 dated 21/10/1427H (corresponding to 13/11/2006G) as amended
Insured	A natural person or legal entity that enters into an insurance agreement
Insurer	The insurance company that accepts contracts of insurance with insurers and is involved in providing compensation for losses to which the insured is exposed to directly
KSA, Saudi Arabia or the Kingdom	The Kingdom of Saudi Arabia
Listing Rules	The Listing Rules issued by the CMA on 20/8/1425H (corresponding to 4/10/2004G) and amended on 28/2/1433H (corresponding to 22/1/2012G)
Lead Manager	GIB Capital
Management	The management of the Company
Net Proceeds	The net proceeds of the Offering after deduction of the Offering Costs
Offer Price	SAR 10 per share
Offer Shares	20,000,000 ordinary shares of the Company
Eligibility Date	Close of trading on the day of the EGM to vote on the increase in the Company's capital according to the Board recommendation on Tuesday 15/03/1436H (corresponding to 06/01/2015G).
First Offering Phase	The 10-day period starting from Tuesday 22/03/1436H (corresponding to 13/01/2015G) including the last day of the Offering, which is Thursday 02/04/1436H (corresponding to 22/01/2015G)
Trading Period	The start of the Trading Period coincides with the First Offering Period on Tuesday 22/03/1436H (corresponding to 13/01/2015G) and continues for a period of 8 business days including the last day of the Offering on Thursday 02/04/1436H (corresponding to 22/01/2015G)
Second Offering Phase	The 3-day period starting from Sunday 05/04/1436H (corresponding to 25/01/2015G) including the last day of the Offering on Tuesday 07/04/1436H (corresponding to 27/01/2015G)
Rump Offering Period	In the event that there remain any unsubscribed shares, Offering of these shares will start at 10:00 AM on Sunday 12/04/1436H (corresponding to 01/02/2015G) until the following day at 10:00 AM on Monday 13/04/1436H (corresponding to 02/02/2015G)
Rump Offering	Rump Shares not subscribed to by Eligible Persons are offered to institutional investors during the Rump Offering Period
Eligible Persons	Includes both Registered Shareholders and purchasers of Rights during the Trading Period
Rights Trading	Eligible Persons may trade Rights whether by selling or purchasing them on Tadawul
Exercising the Rights	Eligible Persons may subscribe for New Shares by completing a Subscription Application Form and paying the relevant fee at the Receiving Banks' branches or by subscribing electronically through the Receiving Banks which offer such services to subscribers

Term	Definition
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia
Person	A natural person
Prospectus	This document prepared by the Company in relation to the Offering
Policyholder	A person who holds an insurance policy issued by the Company or acquires one under the acquisitions process according to the Company's records
Solvency Margin by Premiums Underwritten	The solvency margin is calculated by multiplying the ratio set by SAMA for each branch of insurance by average net premiums
Receiving Banks	NCB, SABB and SAMBA Financial Group
Reinsurance	The process by which an Insurer or reinsurer insures or reinsures another Insurer or reinsurer (the ceding company), against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies
Reinsurer	A reinsurance company that accepts insurance contracts from another insurer for all or a portion of the risks that it bears
SAMA	The Saudi Arabian Monetary Agency
SAR	The Saudi Arabian Riyal, the official currency of the Kingdom of Saudi Arabia
Shareholder	A holder or owner of shares as of any particular time
Shares	Ordinary shares of the Company numbered at twenty million (20,000,000) shares with a nominal value of SAR10 each
GIB Capital	GIB Capital is a company licensed by the CMA to conduct business in management, provide consultations and to arrange, transact, and hold securities. It is 100% owned, directly and indirectly, by Gulf International Bank (GIB).
Investment Institutions	Include a group of establishments, as follows: 1. Publicly-offered investment funds established in the KSA that invest in Saudi securities, if the fund's terms and conditions allow for such, in compliance with the terms and conditions set out in the Investment Funds Regulations. 2. Persons licensed to transact securities as a principal, in compliance with financial adequacy requirements. 3. Companies listed on the Saudi Stock Exchange, through their portfolios managed by licensed persons and companies in the banking and insurance sector listed on the Saudi Stock Exchange, in accordance with the controls issued by the CMA, provided that the company's participation does not result in any conflict of interest
SAGIA	Saudi Arabian General Investment Authority
SOCPA	Saudi Organization for Certified Public Accountants
Subscriber	Any person subscribing for the Offer Shares
Subscription Application Form	Application form to subscribe submitted by the subscriber to purchase the Offer Shares
Distribution of surplus	The manner by which an insurer or reinsurer's profit is distributed to policy holders
Tadawul	Automated system for selling and purchase of Saudi shares

Term	Definition
Technical Allocations/Reserves	The amounts allocated to the Company to cover anticipated losses resulting from types of insurance policies and the resultant financial obligations
Underwriter	GIB Capital
Underwriting Agreement	Underwriting Agreement entered into between the Company and the Underwriter
BBB	A S&P credit rating
S&P	Standard & Poor's, an American company specializing in credit rating and development of indicators to measure market performance in various world markets in addition to providing specialized analytical services and studies to more than 2,000 companies listed on the world markets
AA-	A S&P credit rating
RSA Group	The RSA Insurance Group plc, registered in the United Kingdom
RSA ME	Royal and Sun Alliance Insurance (Middle East), a closed joint stock company located in Bahrain
DZIT	Department of Zakat and Income Tax

2. Risk Factors

Anyone wishing to invest in the Rights Issue should carefully study all of the information contained in this Prospectus, including the risks described below. The risks outlined below may not include all the risks that the Company may encounter, and additional factors may exist not known by the Company at the time of this Prospectus or that the Company might consider immaterial, but that may, if they occur, affect its operations.

The Company's business, financial position, results of operations, cash flows, and prospects could be adversely and materially affected if any of the following risks, which are identified as material, or if any other risks that the Directors have not identified or that it currently considers not to be material, actually occur or become material risks.

The Company's Board of Directors affirm that according to their knowledge and belief, there is no significant risk that may affect the decision of the shareholders that is not disclosed below, according to the information available to them as of the date of this Prospectus.

An investment in the Offer Shares is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from such investment. Any prospective investor, who is in any doubt about the action he/she or it should take, should consult a financial advisor licensed by the CMA for advising on investment in the Offer Shares.

In the event of the occurrence of any other risk factors which the Company currently believes to be substantial, or the occurrence of any other risks that the Company did not identify, or that it does not currently consider to be material, the value of the Offer Shares may decrease and prospective investors may lose all or part of their investment in the Offer Shares.

The order in which the risks and the uncertainties are listed below is not intended to reflect their likely significance.

2 - 1 Risks Related to the Company's Operations

2 - 1 - 1 Risk Related to Renewal of Existing Policies

The Company's insurance policies are generally issued for a term of 12 months. If actual renewals of the Company's existing contracts with policyholders or the Company's future contracts with policyholders do not meet expectations, the Company's premiums written in future years and its future results of operations could be materially and adversely affected.

2 - 1 - 2 Customer Concentration Risks

As of 31 December 2013, the Company's five largest customers combined accounted for approximately 43% of the Company's GWP. The Company significantly relies on the continued business and renewal of insurance policies with its five largest customers, including one of its founders, Riyad Bank. If the Company is unable to secure the future business of its largest customers due to increased competition or other factors, the Company may be exposed to potential losses in revenue and GWP. The significant dependency and concentration on these five largest customers poses a potential risk to the Company's future financial prospects.

2 - 1 - 3 Zakat and Income Risks

The Zakat and corporate tax return for the period ended 31 December 2010 has been filed with the DZIT based on pre-portfolio transfer results of the company. The DZIT has issued an initial assessment, pending detailed review, with a demand for an additional liability of SR 2,811,320. The company has filed an appeal with the DZIT against the assessment order. As the transfer of insurance portfolio has now been effected, the company is in the process of filing an amended zakat and income tax return for the 2010 period together with reissued Financial Statements.

The DZIT issued initial assessments for the years 2011 and 2012 with a demand for additional liabilities of SR 500,000 and SR 2,587,561, respectively. The Company has filed appeals with the DZIT against these assessments and they are pending review by the DZIT.

The Company cannot foresee any zakat differences that the DZIT might require the Company to pay in order for the Company to obtain the final zakat certificate. DZIT may impose large zakat charges on the Company, as explained above, which would have an adverse effect on the Company's financial outcomes.

2 - 1 - 4 Failure to Maintain Adequate Minimum Capital

Insurance companies such as ACIC are required to maintain a minimum level of assets (referred to as regulatory capital) in excess of the value of their liabilities.

The Company's capital position can be adversely impacted by a number of factors, in particular factors that erode the Company's capital resources and could impact the quantum of risk to which the Company is exposed. Such factors include lower than expected earnings and accumulated market impacts. In addition, any event that erodes current profitability and/or might reduce future profitability or make profitability more volatile could impact the Company's capital position.

The minimum paid-up capital for an insurance company engaged in reinsurance activities is SAR 200 million. As at 31 December 2012, the Company's accumulated losses reached SAR 62.99 million. These losses increased to SAR 87.10 million as of 31 December 2013, representing a loss of 44% of the Company's paid-up Capital. By 30 June 2014, the Company's losses reached SAR 111.95 million representing a loss of 56% of paid-up Capital. If the Company's losses reach 75% of its paid-up capital and the Company is unable to manage these losses, the instructions issued by the CMA related to accumulated losses for listed companies will be applied.

Any failures to meet regulatory capital requirements in the future would likely lead to intervention by SAMA and the CMA, which may require the Company to take steps to restore regulatory capital to acceptable levels, for example, by compelling the Company to cease to write or reduce writing new business. The Company may also need to increase premiums, increase its reinsurance coverage or divest additional parts of its business and investment portfolio, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures need to be undertaken in a short timeframe.

Failure of the Company to maintain adequate levels of capital could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

2 - 1 - 5 Adequacy of Reserves to Cover Claims and Unexpired Risks

As part of any insurance operation and in accordance with the Insurance Law, the Company maintains reserves and provisions as balance sheet liabilities to cover expected future claims, liabilities and obligations. These reserves are expected to represent estimates of amounts required to cover reported losses and unreported losses and to cover the related loss adjustment expenses. The Company's results depend upon the extent to which actual claims experience is consistent with the assumptions that it uses in setting its premiums and establishing its reserves, and the Company's provisions for outstanding claims, unearned premiums and unexpired risks may prove to be insufficient to cover the Company's actual claims experience.

Provisions for outstanding claims cannot represent an exact calculation of liability, but rather are estimates of the expected cost of the ultimate settlement of claims. These estimates are based on actuarial and statistical projections of facts and circumstances known at a given time, as well as estimates of trends in claims severity, and other variable factors, including new basis of liability and general economic conditions, and can change over time. The process of estimating reserves and future policy benefits involves a high degree of judgement and is subject to a number of variables. These variables can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, longevity, foreign currency movements, legal trends and legislative changes, among others. The process of estimating reserve liabilities is a difficult and complex exercise and involves many variables and subjective assumptions, including analyzing the history of settled claims.

Due to the nature of the underlying risks and the degree of uncertainty associated with the determination of the liabilities for unpaid insurance policy claims, the Company may not be able to determine precisely the amount actually required to settle these liabilities, and as a result it is possible that the Company's reserves at any given time will be inadequate.

In addition, the relatively short history and the limited amount of data on the KSA insurance industry in terms of claims experience may affect the Company's ability to establish assumptions for certain products. As a result, the reserves established for future insurance policy claims may prove to be insufficient and the Company may need to increase reserves, which may have a material adverse effect on its business operations, financial condition, cash flows, operating results and/or prospects. If actual claims exceed the Company's reserve for losses and loss expenses, the Company may be required to increase its reserves. This may result in additional expenses and costs and accordingly will decrease the net income and hence, the financial condition and results of the Company's operations.

2 - 1 - 6 Increase in Employee Salaries and Benefits

The increase in employee salaries (see section 6.6.1.8 – "Administrative and General Expenses – Salaries and Benefits"), in particular the increased cost of salaries and benefits of the Board of Directors and key executive directors may have an adverse effect on the Company. Average salaries and benefits increased from SAR 262,000 in FY2011 to SAR 292,000 in FY2013 and total benefits of the Board of Directors during the period from 1 January 2011G to 31 December 2013 was SAR 1.4 million. Benefits for five of the key executives receiving the highest benefits and compensation during the period from 1 January 2011 to 31 December 2013 amounted to SAR 18.4 million. This increase will result in increased Company expenses and an increase in its accumulated losses. This in turn will lead to a decrease in net income, which will affect the Company's profitability and financial position.

2 - 1 - 7 Satisfactory Investment Returns

The operating results of the Company will depend in part on the performance of its invested assets. In addition, to the extent that the Company is unsuccessful in matching its investment portfolio with its liabilities, it may be forced to liquidate all or a portion of its investments and liquidation returns may be below the required level, which could have a material adverse effect on the business operations, financial position, cash-flows, operating results and/or prospects of the Company.

The management of such investments needs an effective management system and a high degree of capability to select good quality and variety of investments.

The investment portfolio is also subject to regulatory restrictions and unavailability of certain financial products, such as high risk-return financial derivatives, which may reduce the diversification of asset classes leading to reduction in returns on investment. If the Company is unable to diversify these investments, the Company's profitability and financial performance may be impacted.

2 - 1 - 8 Risks Related to Reinsurance

In order to mitigate risks of insurance coverage, insurance companies rely on reinsurance agreements with international and local companies. The Company reinsures risks to third parties and reinsures through the RSA Group, which is a related party (see sections 12.4.7 – "Reinsurance Agreements" and 12.5 – "Related Party Contracts"). The Company has significant claims in settlement in relation to its Fire Insurance business during the past two years, represented in a claim by Savola Group for a fire at the United Sugar Company in the gross amount of SAR 605 million and another claim in the amount of SAR 58 million due to a fire in a one of the Panda supermarket branches. The Company's current exposure for these claims is limited to approximately SAR 2 million due to reinsurance and co-insurance coverage.

Nevertheless, when the Company obtains Reinsurance it remains liable for the insured risk, whether or not the reinsurer meets its obligations. Therefore the Company remains exposed to disputes on, and defects in, contracts with its reinsurers and the possibility of default by its reinsurers. Disputes with, or the inability or failure or default by reinsurers to meet their financial obligations would materially affect the Company's business operations, financial position, cash flows, operating results and/or prospects.

Insufficient reinsurance to protect the Company could create losses. Insufficient reinsurance will affect the Company's ability to balance its risk exposure and protect its profits and capital resources. These factors are expected to have a material adverse effect on the Company's business operations, financial position, cash flows, operating results and/or prospects.

Further, if the Company is unable to maintain or replace reinsurance arrangements, this would increase possible exposures of the Company. If the Company was unwilling to bear such increase in exposures, the Company would be required to reduce the level of its underwriting commitments. Furthermore, the Company is subject to credit risk with respect to its reinsurers, as the Company holds primary liability for the risks and obligations related to its insurance operations.

2 - 1 - 9 Unanticipated Insurance Operations and Mispricing of Insurance Premiums Risks

The Company is in the business of underwriting risks which are naturally subject to a number of judgements, involving important assumptions about matters that are unpredictable and beyond the Company's control and for which the Company's historical experience and statistical analysis may not provide sufficient guidance and data. The Company's financial results depend in large part upon the extent to which actual claims experience is consistent with the assumptions that it uses in setting the prices for its products. It is not possible to predict with certainty whether a single risk or a portfolio of risks underwritten by the Company will result in a loss for the Company or not, or the timing and severity of any loss that does occur. The Company may fail to accurately assess the risks it underwrites, the underwriters appointed by the Company to assist in appraisal or the Company's reinsurers may fail to comply with internal procedures on underwriting, or events or circumstances may cause the past risk assessment to be incorrect, and the premiums that the Company receives for accepting such risks may not be adequate for the claims that ensue. In addition, it is possible that losses may aggregate in ways that were not anticipated. Adverse development can be experienced for significant periods of time. Acceptance of excessive mispriced risks will likely result in lower reported earnings (or net losses) in a future period. Failure by the Company to manage the risks that it undertakes could have a material adverse effect on the Company's financial condition and results of operations.

2 - 1 - 10 Liquidity Risk

Liquidity risk is the risk that the Company does not have sufficient financial liquid resources to meet its obligations that might arise from its underwriting operations as well as the Company's other obligations when they fall due, including having to do so at excessive cost.

The Company's ability to access funding sources on favourable economic terms or its ability to liquidate its assets as needed to satisfy claims or for other purposes is dependent on a variety of factors, including a number of factors including ones that are outside its control, such as general market conditions and confidence in the global banking system. The capital and credit markets may be subject to periods of extreme volatility and disruption, which could cause the Company's liquidity and credit capacity, and hence its ability to obtain necessary financing, to be constrained.

2 - 1 - 11 Dependence on Key Personnel

The success of the Company depends upon its ability to attract and retain the management team and all qualified employees and provide adequate training to its employees. There can be no guarantee that the Company will be able to retain the services of its employees or to enhance its manpower as and when needed.

The loss of the services of any members of the senior management team, the inability to attract or retain once hired other skilled or experienced personnel or lack of adequate training as required could have a material adverse effect on the Company's business operations, financial condition, cash flows, operating results and/or prospects.

2 - 1 - 12 Risk of sale by the Strategic Partner, RSA Group, of its operations in the Middle East

RSA Group considers its core business to be the UK and Ireland, Scandinavia, Canada and Latin America. As part of its renewed focus on its core businesses, RSA Group plans to reduce the geographical spread of its operations considerably over the next few years, mainly through disposals in order to strengthen its financials. The Group is in the process of reviewing its presence in the Middle East and other regions.

With regard to its presence in the Middle East, RSA Group is currently reviewing its business as stated above, and is studying its options with regard to its share in RSA ME (this share is described in more detail in section 4.6.1 – "Ownership Structure of RSA ME"). The Company is reliant on the services of RSA Group as will be explained (see section 2.1.13). In the event that RSA Group sells it business in the Middle East, its service agreement with the Company will be cancelled. Failure to obtain the services mentioned below (section 2.1.13) on comparable terms could have an adverse effect on all or a portion of the Company's business operations, financial condition, cash-flows, operating results and/or prospects. Furthermore, the loss of the connection to RSA Group and the association with the group or damage to the reputation of the RSA Group brand may have an adverse impact on the perception of the Company in the market and customers' willingness to renew policies.

In the event that RSA Group decides to reduce its presence in the Middle East, it is likely to commence such with the anticipated sale of its share in RSA ME. This anticipated disposal would not take place until after the required approvals have been obtained from the regulatory authorities. As of the date of this Prospectus, RSA management has not made any decisions about the sale of its operations in the Middle East. There is no information about the occurrence of any disposal of this kind and whether such might lead to the sale of shares in RSA ME or shares of Sun Insurance Overseas Limited were RSA Group to sell its operations in the Middle East.

RSA Group will conduct a full study on the possibility of this anticipated disposal and has issued instructions to its advisers to prepare an "information room" and an informational memorandum containing data relating to its business in the Middle East. RSA Group's expectations remain limited to receiving letters of interest from potential buyers about purchasing its business in the Middle East after the Rights Issue. RSA Group has made it clear to the Company that it does not expect to complete the review of its business until after the Rights Issue is completed. Consequently, any probable disposal of this type, if commenced, and any contract set therefor, is not expected to be signed by RSA Group until after the Rights Issue. Disclosure of any sale or material change that might take place will be made as soon as it occurs, and the required approvals will be obtained from SAMA before the sale is completed. In its letter of 14/7/2014G sent to SAMA, RSA Group confirmed its intention to subscribe for all its Rights according to its ownership in the Company.

If RSA Group is obliged to reduce its presence in the Middle East through the anticipated sale (which might be after the Offering) of its share in RSA ME, the Company would lose the support and services of RSA Group as well as the competitive advantages enjoyed by the Company as a result of its relationship with RSA Group (as set out in section 4), including but not limited to the purchase and sales operations the Group provides to it, directly or through third parties.

2 - 1 - 13 Significant reliance on RSA Group

The Company is reliant on RSA Group in matters related to the provision of certain services and for the referral of certain business, including, but not limited to, the provision of services under the Technical Services and Management Agreement and the Referral and Reinsurance Agreement as well as the use of the RSA Group trademark and logo in the KSA under the Licence Agreement (see section 12.4 – “Material Contracts”).

The Company is greatly reliant on the IT system it uses under the Asset Purchase Agreement. The Company entered into a Technical Services and Management Agreement with RSA Group to obtain its assistance in selecting, implementing and developing a suitable IT system and matters related thereto. The termination of the agreement, the Company’s inability to retain the system or the loss of RSA Group’s support due to the sale of its business in the Middle East or for any other reason might lead to the cessation of the Company’s business, could have an adverse effect on the Company’s business operations, financial condition, cash-flows, operating results and/or prospects.

Failure to obtain the services mentioned above on comparable terms could have an adverse effect on the Company’s business operations, financial condition, cash-flows, operating results and/or prospects. Furthermore, the loss of the connection to RSA Group and the association with the group or damage to the reputation of RSA Group brand may have an adverse impact on the perception of the Company in the market and customers’ readiness to renew policies.

2 - 1 - 14 Reliance on Riyad Bank

The Company is reliant on the continued business with Riyad Bank, its second largest shareholder with 19.19% shareholding as at 23 October 2014G and one of the Company’s largest customers. The Company has issued various insurance policies to cover Riyad Bank’s customers in relation to the auto lease policy, mortgage policy, and group life insurance policy. The amount of written premiums relating to transactions with Riyad Bank was SAR 74.5 million as at 30 September 2014, representing 30.5% of the Company’s sales. In addition, the Company has signed a Bancassurance Agreement with Riyad Bank whereby the bank markets and sells the Company’s products as an agent. These sales amounted to SAR 754,000 as at 30 September 2014G, representing 0.3% of the Company’s sales.

If Riyad Bank were to cease to be one of the major shareholders in the Company or sharply reduce its business with the Company, or if the Bank were to stop marketing and selling the Company’s products as an agent, such would likely have a negative impact on the financial results of the Company and future business prospects.

2 - 1 - 15 Risk Related to Failure to Abide by the Conditions for Use of the Trademark

In its use of the trademark, the Company depends on a non-exclusive license granted under the Intellectual Property License with RSA Group plc allowing it to use the trademarks and logo of RSA to offer, sell and promote its products in KSA, and the Company has a substantial reliance on this trademark. The Company maintains a trademark quality control policy in relation to the management and the use of its trademarks and is bound by certain quality control requirements imposed upon it under the Intellectual Property License Agreement in relation to the use of the “RSA” trademark and logo. In the event that the Company does not comply with the terms of the Intellectual Property License Agreement in relation to the “RSA” trademark and logo, the Company may be required to develop a new brand which could be costly and time consuming and the Company may lose the right to use the RSA trademark and logo, which may have an adverse impact on the Company’s business, profitability and results of operations.

2 - 1 - 16 Risk related to the Company’s Inability to Register a Trademark

The failure by the Company to register, maintain, strictly control or continuously protect its trademarks or in some cases the failure to take actions necessary to protect the trademark used by the Company may adversely affect the Company’s business. In this regard, the Company’s application to register the trademark “Al Alamiya” with the Trademarks Department at the MOCI (Trademark Office) was refused by the Trademarks Office due to the generic nature of the term “Al Alamiya.” The inability to register the Company’s trademarks, prevent infringement of the use of the trademark or any liability claim that might arise from a third party in relation to the Company’s use of its trademarks or threat thereof, regardless of its merits, may make it more expensive to do business and thus adversely affect the Company’s operating results and the goodwill associated with such trademarks.

2 - 1 - 17 Risks Related to Contracting with Third Parties in the Management of Health Insurance Claims

The Company has obtained approval from the CCHI to offer health insurance and currently employs the services of Mednet Saudi Arabia as a Third Party Administrator ("TPA") of its health insurance claims. If MedNet Saudi Arabia does not comply with regulatory and licensing requirements, including CCHI's licensing requirements, the Company will have to secure the services of an alternative TPA. The percentage obtained by Mednet Saudi Arabia for the services it provides to the Company vary from 7-10% according to the number of insurance beneficiaries. Failure to secure and contract with an alternative licensed TPA may result in the business activity of the Company being interrupted, which would have a material impact on the Portfolio, the business operations, financial condition, cash-flows, operating results and/or prospects of the Company.

2 - 1 - 18 Failure of Information Technology Systems or Failure to Keep Up With Technical Developments

While the use of Information Technology (IT) is important to effectively manage/process the Company's insurance business, it also exposes the Company to information technology system failure risks, including system crashes, security failure or breach, viruses and unavailability of skilled manpower to prevent or deal with such risks or to manage and operate these systems. There can be no assurance that the Company's business activities would not be materially impacted in the event of a partial or complete breakdown of any of the main components of the IT system or if the backups and disaster recovery plans, if needed by the Company, or other such contingencies are compromised. This could be triggered by software bugs, computer virus attacks or conversion errors due to system upgrading, or loss of a license without which it is not possible to use any programs related to the key technology used. In addition, a prolonged breakdown of the IT system could result in the loss of the Company's existing or potential business relationships with its customers or could adversely affect the Company's profitability and future prospects. Suspension of the use of any of the Company's IT systems would impair or prevent the Company from efficiently processing its business activities such as those related to its underwriting, policy issuance and claims administration, which may have an adverse impact on the business operations, financial condition, cash-flows and/or operating results and/or prospects of the Company.

2 - 1 - 19 Employee Misconduct

The Company cannot guarantee that employee misconduct will not occur, which may adversely affect the Company's financial position and performance. Accordingly, any misconduct by staff might cause the Company to be in breach of any applicable law, regulation or rule and attract disciplinary penalties and financial liabilities or reputational damage. Such misconduct might occur in any line of the business conducted by the Company and could include for example:

- committing the Company to transactions in excess of established limits;
- misuse of information or divulgence of confidential information;
- approving inappropriate products or services for use in the Company's activities;
- disseminating misleading or fraudulent information or other improper information during distribution or sale of policies to customers; or
- non-compliance with the applicable laws or internal controls and procedures in place.

The Company cannot control staff misconduct. As such, the occurrence of any misconduct by staff could have a material adverse effect on the business and reputation of the Company.

2 - 1 - 20 Contracts with Brokers, Agents, and Third Parties

The Company has agency agreements, distribution agreements, co-operation agreements and the like with agents, intermediaries and third parties as a part of the normal course of its business and the Company's business is reliant on those parties being willing and able to perform their obligations in accordance with the terms and conditions of the agreements. In 2013, GWP from policies written through agents was 31.5% of the GWP and premiums written by the five largest external agents accounted for 21.9% of its GWP.

Independent agents do not commit to recommending or selling the Company's products. Due to agencies and intermediaries representing more than one insurance company, the Company faces competition from other insurers within such agencies. Consequently, the Company's good relationships with its agents are important and the failure, inability or unwillingness of agents to market the Company's products could have a material adverse effect on its results of operations. Saudi Arabia is a competitive market and good relationships with agents are very important. If agents demand higher commissions or a greater share of revenues, this could have a material adverse effect on the Company's results of operations.

In addition, working with intermediaries and agents that distribute the Company's products pose certain credit risks to the Company. When the insured pays premiums for policies to agents those third parties must remit those premiums to the Company; in such cases, the insured has fulfilled its material obligations and is no longer liable for those premiums, whether or not the Company actually received the premiums from the intermediaries or agents.

There is no assurance that agents or intermediaries will fulfil the expectations of the Company and work in accordance with the Company's expectations. As a result, this could have a material adverse effect on the Company's financial position, cash flows, operating results and/or prospects.

2 - 1 - 21 Litigation

The Company may be involved in litigation or claims as a plaintiff or defendant in the normal course of its business. Litigation or claims may have an adverse impact on the Company's business and any decisions or regulatory action may expand the scope of and materially increase its liabilities which would materially and adversely affect the Company's business, financial standing and operating results.

The Company is a party to certain agreements subject to litigation or dispute in foreign courts which apply foreign laws unfamiliar to the Company. The court system in these foreign counties varies from the Saudi system and there are no guarantees that effective enforcement of rights will be obtained through the legal procedures. Therefore, foreign arbitration decisions and rulings issued by foreign courts may not be recognized.

For details regarding litigation in which the Company is currently involved, see Section 12.6 – "Litigation".

2 - 1 - 22 Ability of the Management to make Proper Decisions

Business results mainly rely on the ability of the management team to make proper and accurate decisions concerning all aspects related to the Company's business and operations. If the Company's management makes decisions based on inaccurate estimates, judgments or decisions with regard to its business, this may require a material adjustment to the assets and liabilities, which may have a negative effect on the Company's performance, profitability and business operations. The Shareholders, in the Ordinary General Assembly meeting held on 07/08/1435H (corresponding to 05 June 2014G), resolved not to discharge the liabilities of the Board of Directors for the financial period ended on 31 December 2013G.

2 - 1 - 23 Failure to Maintain and Protect Confidential Information

The Company collects and retains confidential information regarding its business dealings and its customers and suppliers in computer systems. The secure processing, maintenance and transmission of this information is critical to protecting confidential information related to the Company's operations. The Company's data infrastructure could still be vulnerable, and that could damage its reputation, increase its vulnerability to investigation by the relevant authorities and could disrupt its business or result in liability. The Company might be required to spend significant amounts and provide many costly resources to provide suitable protection against such potential breaches or to alleviate problems caused by such breaches. Any publicized compromise of IT security could deter transactions involving the transmission of confidential information.

In particular, if the Company or any of its third party service providers, including agents and intermediaries on which it relies, fail to process, store or protect such personal data or confidential information in a secure manner or if any theft or loss of such data were otherwise to occur, the Company could, among other things, face substantial liability under data protection laws.

Furthermore, there is a risk that data collected by the Company and its appointed third parties is not processed or stored in accordance with applicable law. Failure to follow and apply effective controls when collecting and storing data could potentially lead to regulatory censure, fines, reputational and financial costs as well as result in potential inaccurate rating of risks or overpayment of claims. The loss of any data, for whatever reason, could have a material adverse effect on the Company's business, reputation and results of operations.

2 - 1 - 24 Additional Obligations and Costs that could arise from Claims Processing, Pricing and Coverage

As insurance practices and legal, judicial, social and other surrounding conditions change, unexpected and unintended risks related to claims and coverage may emerge. Examples of risks that might arise in the context of claims and coverage include:

- adverse changes in loss trends;

- expansion of regulatory considerations as well as coverage for insurance policies and the impact of new theories of liability;
- growth of claims culture;
- legislative or judicial action that affects policy coverage or interpretation, claim quantification, or pricing;
- occurrence of new causes of liability or group claims; and
- claims related to insurance coverage for directors and officers, professional indemnity and other liability coverage;

The effects of these and other unforeseen emerging claim and coverage risks are difficult to predict, but could result in an increase in either or both the number and the magnitude of claims, and would therefore have a material adverse effect on the Company's business, financial condition and results of operations.

2 - 2 Risks Relating to the Market and Regulatory Environment

2 - 2 - 1 Risk of a Lack of Cultural Awareness in the KSA about Insurance and its Importance

There are risks related to the lack of sufficient societal awareness in certain aspects, including the rights and obligations in an insurance policy. There are also still some segments of society that believe that insurance in its current form does not fully comply with the sharia. These risks might impair sufficient confidence in the sector, which could adversely affect the Company's sales and therefore the Company's financial condition and results of operations if policy cancellations increase.

2 - 2 - 2 Company's Compliance with Laws and Regulations

Adherence to the regulations of the Council of Cooperative Health Insurance (CCHI) makes the medical insurance products provided by the Company subject to CCHI oversight, after being licensed by SAMA. CCHI regulations state that the Company shall adhere to the conditions regulating the provision of medical insurance products, including undertaking to provide specialized medical teams for giving the required medical consents within 60 minutes. These regulations also require insurers to pay amounts due to medical service providers, such as hospitals and medical clinics within 60 days. The Company's failure to comply with CCHI rules and regulations makes it vulnerable to accountability and fines or perhaps withdrawal of the licence authorizing provision of products for medical services, which in turn materially affects the Company's business.

The Company is subject to applicable insurance laws and regulations in the KSA and to the continued supervision and potential intervention of SAMA. Insurance Regulations relate to authorised lines of business, capital and solvency requirements, permissible reinsurance, types and amount of investments, underwriting limitations, trade practices, policy forms, claims practices, reserve adequacy and a variety of other financial and non-financial components of an insurance company's business.

If the Company does not comply with present insurance laws, regulations and SAMA's requirements, it may be subject to penalties, including fines, suspension of all or a portion of it activities and the withdrawal or suspension of the Company's licence to conduct insurance business or restrictions on the type of business it may conduct, which would adversely affect the Company's business operations, financial condition, cash flows, operating results and/or prospects. Further, the failure of reinsurers, insurance intermediaries, agencies, loss adjusters and other parties involved in the Company's insurance operations to comply with present laws and regulations would materially and adversely affect the business of the Company, as the Company relies on such intermediaries and reinsurers.

In addition, the Company is subject to applicable corporate regulations and, as a company listed on the Tadawul, the Company is subject to applicable law, rules, regulations and any other requirements of the CMA. Failure of the Company to comply with present laws, rules, regulations and CMA requirements would expose the Company to penalties, including fines, suspension of trading and the cancellation of the Company's listing on the Exchange, which would adversely affect the Company's business operations, financial condition, cash flows, operating results and/or prospects.

This legal and regulatory framework to which the Company is subject may be changed from time to time by the regulatory bodies, including SAMA, MOCI and the CMA, which may limit the Company's ability to properly respond to market opportunities in a timely fashion and may require the Company to incur significant annual expenditures if new instructions and regulatory procedures are declared. Furthermore, any significant change in the work mechanism and general framework of the Company's activities (including the appointment of sub-regulators or the introduction of tax policies) or its interpretation could have a material adverse effect on the business operations, financial condition, cash flows, operating results and/or prospects of the Company.

2 - 2 - 3 Risk of Withdrawal of Insurance Licenses by SAMA

The Company obtained the relevant approvals for proceeding with the issuance of a licence which was renewed on 26/12/1433H (corresponding to 11/11/2012G) for a period of three years, ending on 25/12/1436H (corresponding to 09/10/2015G). The license granted by SAMA, "Insurance License" No. TMN/24/200912 dated 26/12/1430H (corresponding to 13 December 2009G) ("Insurance License") authorises the Company to engage in insurance activities. The Company has been granted its Insurance License based on certain conditions and is obliged to operate in accordance with Article 76 of the Implementing Regulations. Article 76 of the Implementing Regulations gives SAMA the right to withdraw its licence should the following events occur: a) if the Company does not practise the licensed activity within six (6) months from the licence issuance date; b) if the Company does not fulfil the requirements of the Insurance Regulations; c) if the Company has deliberately supplied SAMA with incorrect information or data at the time of its application; d) if it appears to SAMA that the rights of the policyholder, beneficiary or the Shareholders are exposed to loss as a result of the manner in which the activity is conducted; e) if the Company becomes bankrupt and is thus unable to fulfil its obligations; f) if the Company deliberately practises the business in a fraudulent manner; g) if the capital goes below the decreed minimum or if the Company does not fulfil the solvency requirements stipulated in Article 68 of the Implementing Regulations; h) if the volume of business activity falls below a certain level which SAMA deems is not viable; i) if the Company declines to pay claims due to beneficiaries without just cause; j) if the Company prevents SAMA's inspectorate from examining its accounts and records; and k) if the Company fails to satisfy a final judgment delivered in an insurance dispute.

While the Company intends to comply with all laws, regulations and conditions imposed upon the Company by SAMA, the Company's failure to fulfil these requirements, would result in the temporary suspension or permanent withdrawal of the Insurance License. Should the licence be suspended or withdrawn, the Company will not be able to operate, and the Company's policyholders may be transferred to another licensed company.

As at 31 December 2013G, the Company was not in compliance with the following SAMA requirements:

- Deposits and investments and reinsurance recoverable exceeded the 20% limit per asset category, reaching 22.5% and 60.2% respectively, and
- Time deposits constituted more than the limit of 50% of total investments per investment instrument.

2 - 2 - 4 Failure to Secure Approvals for the Company's Products

The Company must seek approval from SAMA for all insurance products it seeks to market and sell in Saudi Arabia. If the Company is unable to obtain regulatory approval for its products in a timely manner, its ability to generate revenue could be impacted, in addition to having an adverse effect on the Company's business operations, financial condition, cash flows and/or operating results.

The Company currently has thirty-seven insurance products, of which thirteen have the final approval of SAMA. Twenty-two products are approved on a provisional basis under "File & Use" classification until 08/10/2014G while two other products are temporarily approved until 31/08/2014G. The license obtained by the Company for products with conditional approval and provisional approval is for six months only, and the Company must fulfil and complete any additional requirements in order to obtain SAMA's final approval.

The Company has responded to all of SAMA's inquiries regarding requirements for securing final approval and the Company is obtaining SAMA's conditional approval every six months. If the Company is unable to obtain SAMA's final approval for its products or if SAMA does not provide the necessary extension upon completion of the six months, the Company will be prevented from selling those products, which would impact its ability to issue insurance policies and thus its revenues would decrease.

2 - 2 - 5 Solvency Requirements

Pursuant to Articles 66, 67 and 68 of the Implementing Regulations, the Company is required to maintain a minimum Solvency Margin to meet its requirements relating to its insurance operations. However, the size of the Solvency Margin is significantly affected by the reserves that must be maintained, which, in turn, will be affected by the volume of insurance policies sold and the regulations defining the legal reserve, as well as the costs of insurance and Reinsurance. If the Company experiences fast growth and the Solvency Margin is increased as a result, the Company may have to raise its capital to meet the required Solvency Margin which could impact the Company's ownership structure.

According to the asset valuation and Solvency Margin section of the Implementing Regulations, the Company must maintain a minimum level of solvency to meet the claims arising from insurance transactions. The Solvency Margin is the excess amount of the Company's assets that can be readily liquidated over its position. There are three (3) methods to calculate the Solvency Margin, namely with reference to minimum capital requirements, gross written premiums or gross claims.

If the Solvency Margin falls below the prescribed limit, the Company must undertake the required measures to correct its conditions, such as increasing its capital. If the Company cannot raise its capital, it may be forced to limit the growth of its activities which will have a negative impact on its financial condition and profitability. Further, if the Company incurs negative profit margins, losses on investment, or an overall net loss, it would not be able to meet the required solvency requirements. A failure to maintain an adequate Solvency Margin may lead to punitive actions from SAMA and may result in the withdrawal of the Company's licence in exceptional circumstances.

As at 31 December 2013, the Company had an asset deficiency of approximately SAR 118.9 million of net admissible assets over the required minimum solvency margin of SAR 200 million. This is one of the reasons for the capital increase (see section 10 - "Use of Proceeds").

2 - 2 - 6 Saudisation Requirements

The regulations issued by the Ministry of Labour and Article 79 of the Implementing Regulations require that at least 30 per cent of the Company's total workforce be comprised of Saudi nationals, and this policy requires continual increases in the number of Saudi employees (see section 4.11.1 – "Saudisation").

As of 6/1/1436H (corresponding to 30/10/2014G), the Company's Saudisation ratio is 54.55% and the Company has secured a Saudisation Certificate from the Ministry of Labour as of 30/07/1435H (corresponding to 30 May 2014G) demonstrating its compliance with Saudisation requirements applicable in the Kingdom.

However, there are no guarantees that the Company will be able to continue to meet its Saudisation requirements. Sanctions for non-compliance with Saudisation requirements include the suspension of applications for employment visas and transfer of sponsorship for non-Saudi employees and companies in violation can be prevented from participating in Government tenders and applying for Government loans. Failure to comply with the Company's Saudisation requirements would result in a weakening of the Company's ability to secure the services of key non-Saudi nationals experienced in the insurance sector, whether from inside the KSA or abroad, which would have a material adverse effect on the Company's business operations, financial condition, cash flows, operating results and/or prospects.

2 - 2 - 7 Periodic Reporting

The Insurance Law and the Listing Rules related to on-going obligations require periodic submission of declarations, financial Statements and annual reports to SAMA and CMA as well as the public disclosure of certain information, including information concerning the Company's general business operations, capital structure, ownership, and financial condition.

Therefore, failure to comply with applicable laws concerning periodic reporting could result in regulatory action or penalties including the imposition of significant restrictions on the Company's ability to do business or financial penalties, which would adversely affect the Company's business operations, financial condition, cash flows, operating results and/or prospects.

2 - 2 - 8 Regulatory and Other Actions

The Company may be subject to governmental or administrative reviews and investigations in the context of the KSA's newly restructured and regulated insurance sector.

SAMA, the Company's primary regulatory authority, has broad regulatory powers and authorities with regard to the enforcement of the instructions it issues, including granting, amending or cancelling licenses. It also regulates marketing and sales practices for insurance products and requires insurers to maintain adequate financial resources. SAMA may, from time to time, make enquiries of insurance companies regarding compliance with particular regulations and conduct investigations of certain products, selling practices or other procedures related to the insurance business. These could include investigations of products sold in the past.

The Company cannot predict the outcome of any such legal or regulatory reviews, investigations or proceedings, were they to occur, and cannot guarantee that such reviews, investigations, proceedings or related litigation or changes in operating policies and practices would not materially adversely affect the Company's business operations, financial condition, cash flows, operating results, and/or prospects.

For details regarding certain regulatory actions see section 12 – "Legal Information".

2 - 2 - 9 Risk Management Policies

The Company relies on the Insurance Law and the Company's risk management policies in drawing up a policy for managing, assessing, and controlling the risks the Company may face in its business. The failure to apply or update this policy or the failure to obtain sufficient information in order to respond in a timely manner make the Company vulnerable to various risks including for example, failure to comply with the Cooperative Insurance Regulations and the Risk Management Regulations.

2 - 2 - 10 Limited Access to Historical Market Data

Although the insurance sector is not new to the KSA economy, it has only recently been subject to the implementation of a new regulatory environment, which is still in its first stages. Due to the lack of sufficient data on the Saudi Arabian insurance market, any assessment or valuation may not be accurate or complete, or might be based upon relatively out-of-date information and might not be properly evaluated in all cases.

2 - 2 - 11 Risks Related to Market Growth

There are many indicators in the SAMA report on the KSA insurance market for 2013 indicating that the insurance sector in the KSA will witness significant growth in the future, but there could be unknown factors that may limit the predicted growth.

Despite various attempts at diversification, the KSA's economy is still dependent primarily on oil and gas. As a consequence, KSA revenues are subject to fluctuations in the price of hydrocarbons and petrochemicals and budget planning in general remains vulnerable to several factors outside the Government's control. This might hinder any growth potential of industrial and large residential projects and other infrastructure projects, which would negatively affect the insurance business and insurance companies operating in the KSA.

2 - 2 - 12 Competition and Distribution Trends

Since the Company's Initial Public Offering in 2009, numerous insurance companies have obtained licences from the Council of Ministers to incorporate joint stock insurance companies, to be licensed by SAMA to carry on insurance and reinsurance business. As of March 2014, there are a total of 35 licensed insurance and reinsurance companies in Saudi Arabia.

The Company's competitive position will depend on a number of factors including its financial strength and the geographical scope of its activities, the business relations it establishes with its customers, the volume of written premiums, the terms and conditions of insurance policies issued, and the services and products offered, including the Company's ability to plan an insurance programme in accordance with the requirements of the market, as well as the speed of settlement of claims, the reputation of the Company, and the expertise and competence of its staff, and the extent to which there is a local market.

The Company is also exposed to changes in the behaviour of its customers. Changes in lifestyle, technology, or regulation could significantly alter customers' actual need for insurance and the types of insurance requested. Changes in technology could give rise to new types of entrants into the insurance and insurance sales markets or the development of new distribution channels requiring further adaptation of the Company's business and operations. Competitive pressures from new technologies and distribution channels, including changes driven by a society increasingly relying on digital technology, may require changes to the Company's business operations, including IT systems and functionality. Failure to update its IT systems as required may result in the Company being unable to match the products or pricing of its competitors and therefore the Company being unable to maintain its competitive position. The Company could lose market share, incur losses on some or all of its activities or experience lower growth if it is unable to offer competitive, attractive and innovative products and services that are also profitable, if it does not choose the right marketing approach, product offering or distribution strategy, or if it fails to anticipate or successfully adapt to change.

Any increase in competition may result in a reduction of written premiums which would have a material adverse effect on the Company's business, operating results, and prospects, and may lead to a reduction in the Company's profitability and market share. In addition, the increased competition may limit the growth of its customer base and lead to increased operating costs such as sales and marketing as well as the cost of writing policies.

2 - 2 - 13 Risk of Natural Catastrophes, Wars and Unpredictable Catastrophic Events

Insurance companies frequently experience significant losses from catastrophes. Catastrophic events can be caused by several natural or human related factors, the incidence and severity of which are inherently unpredictable. The Company's property and casualty insurance operations expose it to claims arising out of, among other events, hailstorms, windstorms, tornados, hurricanes, cyclones, earthquakes, severe winter and summer weather, terrorist attacks, floods, fires, explosions, industrial accidents and wars. The extent of losses from catastrophes is a function of both the total amount of insured exposure and the severity of the event. Catastrophes can cause damages and losses in a variety of lines of business. The Company's efforts to protect itself against catastrophic losses, such as selective underwriting practices for catastrophes, the selective purchasing of Reinsurance and the monitoring of risk accumulations may not be adequate. Although the Company seeks to protect itself from such catastrophic events through Reinsurance arrangements, claims related to catastrophes could substantially affect the Company's business results and financial condition, and a chain of several catastrophic events could have a material adverse effect on the Company's financial condition and operating results. The occurrence of a catastrophic event may also increase the price or decrease the availability of Reinsurance protection in future years (see section "Risk Factors" paragraph 2.1.8 "Risks Related to Reinsurance"), which could have a material adverse effect on the Company's financial results and condition.

2 - 2 - 14 Rating Risk

SAMA regulates the reinsurance activities by determining the type of reinsurance companies that KSA insurance companies are allowed to deal with. One of the restrictions in this respect: Article 42.2 of the Implementing Regulations requires a reinsurer to have at least a Standard & Poor's' BBB rating or equivalent rating from a recognised international rating organisation, unless SAMA's prior written consent is obtained. If the rating of the reinsurer goes below the SAMA rating requirement and no specific consent is obtained from SAMA, the Company should cease all existing arrangements with such reinsurer and search for a replacement.

2 - 2 - 15 Risks Relating to the Restrictions of Ownership of Insurance Companies

The Insurance Regulations impose certain restrictions on the ownership and transfer of shares of insurance companies. According to Article 9 of the Insurance Law, an insurance company may not open branches or offices inside or outside the KSA or agree to merge with, own, control or purchase shares in other insurance or reinsurance companies without SAMA's written approval. Further, Article 38 of the Implementing Regulations stipulates that an insurance company shall notify SAMA periodically of the percentage of ownership of any shareholder who owns 5% or more of the company. Further, any shareholder owning 5% or more of an insurance company's shares must inform SAMA also of any change in the percentage of ownership. SAMA has published a list setting out the minimum and maximum limits of ownership of insurance companies by banks, juristic and natural persons. These requirements may discourage potential acquisitions and may delay, deter or prevent the Company's ability to attract financial or strategic investors or may delay, deter or prevent a change of control of the Company, including through transactions that some or all of the Company's shareholders might consider to be desirable.

(See section 2.3.6 – "Expiry of Lock-up Period" relating to the risks associated with the expiry of the Lock-up Period for the founders.)

2 - 2 - 16 Risks Relating to Economic Conditions

The Company's performance will depend on economic conditions in the KSA and the global economic conditions generally. Changes in economic conditions can impact the financial results of the Company, for example, through investment returns and customer demands for its products and services. The Company will not be able to predict the impact that future economic conditions will have on its business. There can be no assurance that future conditions will not materially adversely affect the Company's profitability.

The Company's ability to engage in routine funding transactions could be adversely affected by the actions and strength of other financial services institutions worldwide. Such financial institutions are interrelated as a result of trading, clearing, or other relationships that link these financial institutions to one another. The Company may be exposed to several risks related to different industries and other parties with which the Company deals and may require the execution of transactions with those parties within the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutional clients that could result in a significant credit concentration with respect to the financial services industry overall. A drop in performance by, or even rumours or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and could lead to losses or defaults by the Company and materially affect its financial condition and cash flow.

2 - 2 - 17 Loss of Reputation and Drop in Consumer Confidence

The Company's reputation may also be adversely affected by negative publicity associated with those that it insures. Any negative publicity or reduction in consumer confidence in the insurance industry generally (whether logical or not) or loss of confidence in the Company, RSA Group, or their brands, could result in a loss of existing clients and business and might result in the inability to retain qualified employees, which would have a material adverse effect on the Company's business, financial conditions and prospects.

2 - 2 - 18 Cyclicality of Insurance Business

The insurance business in general is experiencing cyclical change, with significant fluctuations in operating results due to competition, catastrophic events, general economic and social conditions and other factors that are beyond the control of insurance companies. This cyclicality can produce periods characterised by price competition due to excessive supply as well as periods characterised by higher premiums due to shortages of supply. The Company is exposed to such regular effects, including the need to increase or decrease policy prices to remain profitable and competitive, which could have a material adverse effect on the Company's financial condition, results of operations and cash flows.

2 - 3 Risks relating to the Company's Shares

2 - 3 - 1 Potential Volatility in the Share Price

The market price of the Company's shares during the Trading Period may not be indicative of the market price of the Company's shares after the Offering. In addition, the Company's share price may not be stable and could be significantly affected by fluctuations resulting from a change of market trends in connection with the Offer Shares or the Company's existing Shares. These fluctuations may also result from several factors including, without limitation, market conditions, any regulatory changes in the industry, deterioration of the Company's operating results, inability to carry out future plans, entry of new competitors and speculation over the Company's operations.

There is no guarantee that the value of the Offer Shares will increase immediately after listing in the stock market. Market fluctuations, as well as any of the factors referred to above, may adversely affect the market price of the Offer Shares.

2 - 3 - 2 Sale of a Large Number of Company Shares

The sale of a large number of the Company's shares in the stock market after subscription or expectation of such sales may negatively affect the price of the shares in the market.

2 - 3 - 3 Demand for Offer Shares during the Trading Period

There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading Period, in order to enable the holder of such Rights (whether a Registered Shareholder or a buyer of the Rights during the Trading Period) to sell the Rights and achieve profit, or enable him to sell the Rights at all. There is also no guarantee that there will be sufficient demand for the Rump Shares by the Institutional Subscribers during the Rump Offering. While any proceeds from the sale of the Rump Shares to Institutional Subscribers in excess of the Offer Price will be distributed to the Eligible Persons pro rata to their entitlement, in the event that the Institutional Subscribers do not subscribe for the Rump Shares at a price which is higher than the Offer Price, no compensation amount will be distributed to the Eligible Persons.

2 - 3 - 4 Speculation Relating to the Rights Issue

Speculation relating to the Rights Issue may cause material losses. The price of the Rights may not move in the same direction or by the same amount as the price of the Company's shares. In case a speculator buys the Rights and fails to sell those Rights before the end of the Trading Period, he will be forced to exercise these Rights to subscribe for New Shares and may incur some losses. Thus, subscribers should review the full details of the mechanism of listing and trading of Rights and New Shares and the functioning method thereof and should be aware of all the factors affecting them, to make sure that any investment decision will be based on complete awareness and understanding.

2 - 3 - 5 Absence of Prior Market for the Rights

There are only three precedents and experiences in trading Rights on the Tadawul system. There can be no assurance that there will be no technical, administrative, financial or other problems related to the Tadawul system in connection with trading in the Rights, or that an active trading market for the Rights in the Tadawul system will develop during this Offering or in the future. If any of these risks occur, market investors will not be able to trade such Rights.

2 - 3 - 6 Expiry of Lock-up Period

The Founders are subject to a Lock-up Period (in accordance with the Company's first initial public offering prospectus of 14/9/2009G) of three (3) years (each of which is no less than twelve (12) months), commencing from the date of the Company's establishment on 8/12/2009G (the "Lock-up Period"). Accordingly, the Lock-up Period ended on 20/2/2013G, which is the date the Company published its financial Statements for three (3) full fiscal years. As the Lock-up Period has elapsed, the Founders may dispose of their Shares, subject to obtaining CMA and SAMA approval. Prior approval must also be obtained from the CMA for any transfer of shares among the Founders after the Lock-up Period. Any sales by any of the Founders of a substantial number of Shares, or the suspicion that this may occur, could have an adverse effect on the market for the Shares and result in a lower market price of the Shares.

2 - 3 - 7 Effective Control by the Founders

The Founders own 70% of the Company's share capital. As a result, the Founders acting together will be able to influence all matters requiring the approval of Shareholders, including the appointment and removal of Directors, distribution of dividends, the decision to increase the share capital of the Company and entering into material transactions. In addition the Company deals with related parties who own large stakes in the Company. If the Founders exercise this control in a manner that is not in the best interest of all the Shareholders, it would have an adverse effect on the Company's business operations, financial condition, cash flows, operating results and/or prospects.

2 - 3 - 8 Dividend Distribution

Future dividends will depend on, amongst other things, the future profitability, financial position, capital requirements, distributable reserves of the Company and general economic conditions, which may affect the Directors' recommendation to the General Assembly from time to time.

Despite the fact that the Company intends to pay annual dividends to its Shareholders, it neither gives any assurance that any dividends will actually be paid, nor any assurance as to the amount, if any, of any dividends that may be paid in any given year in the future. The distribution of dividends is subject to certain limitations and conditions as further set out in the Company's By-Laws (see section 8 – "Dividend Distribution Policy" and section 12.1, "Summary of Company's By-Laws"). The Company has not declared or distributed any dividends since its establishment.

2 - 3 - 9 Risks Relating to Future Statements

Certain Statements contained in this Prospectus constitute future Statements and involve known and unknown risks and certain unascertained matters, which may affect the Company's results. These Statements include, by way of example and not exhaustively, Statements relating to the Company's financial position and business strategy and plans, and goals in relation to future operations including development plans and goals relating to the Company's services. If any of the assumptions are incorrect or invalid, the actual results may be materially different from the results mentioned in this Prospectus.

2 - 3 - 10 Earnings per Share

Following the Rights Issue and increase in the Company's capital and number of shares, the earnings per share of the Company may be affected since the earnings of the Company will be divided by a larger number of shares.

2 - 3 - 11 Dilution of Shares of Non-Participating Shareholders

If Shareholders holding Rights do not subscribe to the New Shares under the Rights Issue, their proportionate ownership and voting interests in the Company will be reduced and the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly. Registered Shareholders who have not subscribed to the Offering will not be granted any benefits or privileges for their rights, but may receive compensation, which may not be adequate to fully compensate for the dilution of the ownership percentage equal to of the Company's share capital in the event of a rights issue.

For additional information, see Section 14.2 – "Subscribing to the Shares".

2 - 3 - 12 No Assurance of Compensation to Eligible Persons

The subscription period will start on Tuesday 22/03/1436H (corresponding to 13/01/2015G) and end onTuesday 07/04/1436H (corresponding to 27/01/2015G). The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions and subscribe to the New Shares prior to the expiry of the Offering Period.

If the Eligible Persons are not able to exercise their subscription rights properly by the end of the Subscription Period, according to the Rights held by them, there can be no assurance that a compensation amount will be distributed to the Eligible Persons who did not participate or did not properly subscribe for the New Shares.

2 - 3 - 13 Potential Issuance of New Shares in the Future

Other than pursuant to the Rights Issue, the Company currently has no future plans for an offering of new shares. However, it is possible that the Company may decide in the future to offer additional shares to raise capital or for other purposes, subject to regulatory approvals. If Shareholders did not take up such offer of future new shares, their proportionate ownership and voting interests in the Company would be reduced. An additional offering, or significant sale of shares by major Shareholders, could have a material adverse effect on the market price of the Company's Shares.

2 - 3 - 14 Non-exercise of Rights by Major Shareholders

If the major shareholders do not subscribe to their full rights to obtain New Shares in the Offering, the ownership and voting rights pertaining thereto and their representation on the Board of Directors will decrease. The return they receive will decrease due to the decrease in their ownership percentage after the capital increase. The decrease in the major shareholders' voting rights will be reflected in their support, the extent of their influence and effectiveness, and their control in making significant decisions for the Company, which will have a substantial effect on the Company's decisions and financial position. On the other hand, the sale or purchase of more shares by the major shareholders after the end of the Lock-up Period will affect the price of the Company's shares.

3. Market Overview of the Insurance Sector

The economic information on the insurance industry and market details in this Prospectus are derived from different sources. Such information, sources and projections are considered reliable and the Company has exerted appropriate and reasonable efforts to verify these sources. Neither the Company nor its Board have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information. These sources include:

(1) Saudi Arabian Monetary Agency (SAMA) Report on the Saudi Insurance Market for 2013G

Saudi Arabian Monetary Agency

Al-Ma'ather Street, Riyadh

P.O. Box 2992, Riyadh 11169, Kingdom of Saudi Arabia

Tel: +966 (11) 463 3000 Fax: +966 (11) 466 2966

www.sama.gov.sa

SAMA, the central bank of the KSA, was established in 1372H (corresponding to 1952G). The main functions of SAMA include:

- Issuing the national currency, the Saudi Arabian Riyal;
- Acting as a banker to the government and supervising commercial banks;
- Managing the KSA's foreign exchange reserves;
- Conducting monetary policy to promote price and exchange rate stability;
- Promoting growth and ensuring the soundness of the banking and financial system; and
- Supervising and regulating the Insurance sector.

The information used from SAMA is publicly available and can be found on the internet. Consent to use this information in the Prospectus has not been sought.

(2) Swiss Re Group ("Swiss Re") Report

The Swiss Re Group (Swiss Re)

P.O. Box 8022, Zurich, Switzerland

Tel: +41 (43) 285 2121 Fax: +41 (43) 285 2999

www.swissre.com

The Swiss Re Group is a leading provider of reinsurance. It was established in 1863G in Zurich, Switzerland, and operates in more than 25 countries worldwide. Swiss Re issues reports on the global insurance industry and these reports are publicly available on the internet. The information used from Swiss Re is publicly available and can be found on its website. Consent to use this information in the Prospectus has not been sought.

3 - 1 Saudi Economic Overview

Saudi Arabia has the largest economy in the GCC region in terms of gross domestic product ("GDP"). Nominal GDP for the year ended 31 December 2013 was SAR 2.79 trillion.[2]

Over the past five years (2009 to 2013) the Saudi economy experienced strong growth. Real GDP grew at a compound annual growth rate of 6.4% p.a. fuelled mainly by high oil prices and increased Government spending and investment. The growth in spending and investment levels was supported by budget surpluses. Oil revenues from exports and other oil related investments continue to represent a major source of income for Saudi Arabia (91.7% of Government fiscal revenues in 2012[3]) and a key catalyst for the economy as a whole.

The drivers of the GDP growth are shifting gradually from the oil sector to the non-oil sectors. The oil sector real GDP registered a decline of 0.6% in 2013. This was attributable to decrease in average daily crude production from 9.74 million barrels per day (mbpd) in 2012 to 9.59 mbpd in 2013.[4] The non-oil growth in Saudi Arabia remained

2 International Monetary Fund, World Economic Outlook Database, April 2014

3 SAMA Annual Report 2013

4 OPEC Monthly Oil Market Report – May 2014

buoyant, spurred by sustained domestic demand and the Government's ongoing infrastructure spending. In 2013 the non-oil private sector real GDP increased by 5.5% while Government sector real GDP increased by 3.7%.

Some of the sectors that have witnessed significant growth over the last decade include financial services, manufacturing and industrial sector, utilities, mining, transportation, communication, tourism and retail. Furthermore, the Government is focusing on developing trade, aviation, real estate, healthcare and education sectors.

The outlook for the Saudi Arabian economy going forward is certainly positive, despite falling crude oil demand and oil prices. GDP growth in the coming years is expected to be driven by the Government's expansionary fiscal stance and non-oil private sector. The Saudi Government has announced an all-time large budget of SAR 885 billion for 2014[5] and the International Monetary Fund (IMF) estimates that Saudi Arabia's real GDP will grow by 4.1% in 2014, while nominal GDP will increase by 3.7% to SAR 2.90 trillion.

3 - 2 Global Insurance Sector

The economic environment and financial markets in 2012 were challenging for insurers. Economic growth slowed in most advanced markets and Western Europe fell back into recession. Emerging markets held up better, but growth slowed due to their reliance on exports to advanced markets. Expansionary monetary policies kept interest rates low, but boosted equity markets. Weak economic growth weighed on exposure growth of non-life insurance, elevated unemployment figures in many advanced markets and reduced the demand for life insurance, while low interest rates continued to be a drag on profitability.[6] Global economic growth was about the same in 2013 as in 2012, and still below long-term trends. Strongest growth indicators for advanced markets were in North America, despite the economic slowdown in the United States. Western Europe again experienced low growth rates. Emerging markets saw a year of challenges given the weak demand of advanced markets. The US Federal Reserve Bank's announcement on the naturalization of the monetary policy created insecurity on financial markets, which lead to weakening currencies and shares on emerging markets. In turn, shares in advanced markets improved. By year end, long-term interest rates in the United States and the United Kingdom increased more than 10 points compared to the low historic levels at the end of 2012G. In 2013G, global life insurance premiums were USD 2.608 billion, while growth slowed to 0.7% compared to 2.3% in 2012.[7] Strong growth in Western Europe and Australia was met by a contraction in North America and sluggish sales in the advanced economies of Asia. Premiums declined 7.7% in the United States, due primarily to non-renewals of large companies that bolstered overall annual income in 2012G. In emerging markets, life insurance premiums grew to 6.4% in 2013G. Growth was strong in Latin America and Africa as well as in China and India. Growth in average premiums in advanced countries as well as emerging economies in Asia following the world financial crisis in 2008[8] was significantly below pre-crisis levels. Both China and India saw a sharp decline especially after their regulatory developments in 2011G.

Globally, growth in general insurance premiums slowed 2.3% in 2013 from 2.7% in 2012G, with gross premiums reaching USD 2,003 billion. Advanced markets showed a decline in growth, with an increase in premiums of 1.1% (compared to an increase of 1.5% in 2012) due to a recession in Western Europe and a slowdown in the advanced economies of Asia. Oceania recorded strong growth at 5.1% and there was almost no change in growth rates in North America at 1.9%. Emerging markets continued to spur global growth. Performance was strong in all emerging regions with the exception of Central and Eastern Europe. The expansion of emerging markets in Asia was based on strong growth rates in southeastern Asia and China, and growth was also strong in Latin America (where premiums increased to 7.2%). Growth in average premiums following the crisis from 2009 to 2013 was significantly below pre-crisis levels in advanced markets. Additionally, post-crisis averages were lower, yet still strong (with a 7.6% increase) in emerging markets. Profitability, especially on the life insurance and general insurance side, improved yet is still lower than pre-crisis levels despite the improvement in general insurance underwriting results. Investment returns for insurance companies remained low in light of the low interest rate environment. Both the life insurance and the general insurance sector enjoyed good capital levels.

In advanced markets, an average of USD 3,621 per capita (in nominal terms) was spent on insurance in 2013 (compared to USD 3,677 per capita in 2012). This is slightly less than in the previous year as life insurance spending fell to USD 2,074 from USD 2,133. Spending on general insurance increased marginally to USD 1,547 from USD 1,527. Insurance penetration was unchanged, however, life insurance penetration declined from its peak in 2000G at 5.7% to 4.7% in 2013G. In emerging markets, the average amount spent per capita on insurance increased to USD 129 (in nominal terms) in 2013, up from USD 121 in the previous year. Of this amount, USD 67 was spent on life insurance and USD 62 on general insurance, compared to USD 64 and USD 57 in 2012. Insurance penetration increased marginally with a change in per capita value at 2.7%.[9]

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5 MEED, Special Report on Saudi Arabia – Feb 2014

6 World insurance in 2012 – Sigma Swiss Re – No 3/2013

7 Premium growth rates indicate a chance in actual conditions.

8 Prior to the 2003-2007G crisis, following the 2009-2013G crisis.

9 World insurance in 2013 – Sigma Swiss Re – No 3/ 2014

3 - 3 Insurance Sector in the Middle East, Central Asia, and Turkey

Life premiums in the Middle East, Central Asia and Turkey continued their strong growth at 11% in 2013, increasing to USD 6 billion (compared to a 12% increase in 2012). In Saudi Arabia, life premiums are estimated to have increased by 4.2% after having decreased in each of the past three years. In the United Arab Emirates, the premium volume rose by 18%. The regional life insurance market should benefit from an improving economic outlook, increasing insurance awareness, increased inhabitants of working age, and increased wealth averages in the medium term. In the United Arab Emirates, increased demand from expatriates and increasing numbers of the middle class are expected to spur premium growth. In Saudi Arabia, the mortgage law introduced in 2012 is expected to boost premium growth. In the long run, the regional life insurance market has great potential, given the still very low penetration rate.

The general insurance sector in the Middle East, Central Asia, and Turkey is estimated to witness growth of 4.7% in 2013 compared to an increase of 12% in 2012 to USD 40 billion. Saudi Arabia saw a decline in general insurance premiums at 9% in 2013 from 12% in 2012. This decline is due to the decline of growth in motor, property, and health insurance. In the United Arab Emirates, premiums increased by an estimated 7.7% driven by strong growth in health insurance.

Forecasts are cautiously optimistic. Additional compulsory activities, significant spending on infrastructure and improvement in the regulatory mechanisms should bring about beneficial growth. For example, the Property Mortgage Law approved by the KSA in 2012 is expected to lead to improvement in property and construction insurance. Health insurance is expected to expand robustly in the region as governments enact laws requiring and/or extending compulsory health coverage (as in Saudi Arabia, Qatar, and the United Arab Emirates), with Dubai in particular planning to create a compulsory medical insurance law in 2014. In personal lines, premium growth will pick up as more people enter the middle class, awareness and acceptance of Takaful and conventional insurance products rises, and more banks begin selling insurance products. Competition in the region is likely to remain intense, applying pressure on rates and reducing profitability of insurers.[10]

3 - 4 Insurance Market in Saudi Arabia

The Saudi government vested SAMA with the responsibility to supervise the insurance industry. SAMA, under the provisions of the Law on Supervision of Cooperative Insurance Companies and Implementing Regulations, is responsible for establishing the environment and standards for the issuance of insurance licenses and for supervising and regulating the industry. The laws and instructions put in place by SAMA have played an important role in establishing regulatory controls and operational guidelines on the insurance sector, which previously did not exist.

In March 2014, there were a total of 35 licensed insurance and reinsurance companies.[11] This is in addition to 76 licensed Brokers and 76 agents as well as 29 independent contractors.[12]

The insurance services are classified into three branches including general insurance, preventive and savings insurance and health insurance. The general insurance sector includes vehicles, marine, aviation, energy, engineering, general accidents and premises insurance. Each insurance branch has its own growth driver and pricing. The following factors have been the major stimulants for the insurance sector:

- The compulsory nature of some risks in the KSA has been leading the sector`s growth. For instance, the compulsory health insurance requirement in Saudi Arabia (applicable for residents since 2006 and Saudi private sector employees since 2010) resulted in an increase in the health insurance branch`s gross written premiums as a percentage of the aggregate sector from 32% in 2006 to 51% in 2013. Moreover, the compulsory vehicle insurance law increased the contribution of such insurance to 25% of total gross written premiums in 2013.
- SAMA issued a new pricing mechanism for insurance products (to control mispriced insurance products due to intense competition), with a price floor set by an insurance actuary who assesses the relevant technical aspects and expected claims.

The prevailing low interest rate environment has impacted insurance companies' investment income. The rising health costs have squeezed health insurers' profit margins.

10 World insurance in 2013 – Sigma Swiss Re – No 3/2014

11 Source: Listed insurance companies on Tadawul

12 Source: List of Insurance and Reinsurance Companies issued by SAMA

3 - 4 - 1 Gross Written Premiums ("GWP") in Saudi Arabia

GWP in the Saudi insurance market reached SAR 25.2 billion in 2013, as compared to SAR 21.1 billion in 2012 and SAR 18.5 billion in 2011 representing annual growths of 19% and 14% respectively. Health insurance remained the biggest line of business in 2013. Its contribution to total GWP was 51% and 53% in 2013 and 2012 respectively. General insurance's contribution to total business increase to 46% in 2013 from 43% in 2012. Protection and savings insurance remained relatively limited compared to other lines accounting for 3% and 4% of the total GWP in 2013 and 2012 respectively.

Table 3-1: Gross Written Premiums (2011 - 2013)

Class of Business (SAR millions)	GWP 2011	% of Total	GWP 2012	% of Total	GWP 2013	% of Total	Growth (2012 - 2013)
Health	9.708	52%	11,285	53%	12,895	51%	14%
Motor	3,922	21%	4,689	22%	6,355	25%	36%
Property	1,157	6%	1,348	6%	1,665	7%	23%
Engineering	913	5%	1,077	5%	1,200	5%	11%
Accidents & Liabilities	632	3%	691	3%	941	4%	36%
Marine	634	3%	743	4%	740	3%	–
Energy	361	2%	385	2%	456	2%	16%
Aviation	272	1%	67	-	144	1%	115%
Life – Protection & Savings	905	5%	889	4%	845	3%	-5%
Total	**18,504**		**21,174**		**25,239**		**19%**

Source: The Saudi Insurance Market Report 2012 issued by SAMA

A review of GWP since 2006 to 2013 indicates strong industry growth at a Compounded Annual Growth Rate (CAGR) of 20%, but this has largely been driven by the rollout of compulsory health insurance covering non-Saudis, Saudis working in the private sector and dependents. Health insurance GWPs grew at a CAGR of 29% during this period. Motor insurance, where third-party cover became compulsory, is the second largest line of business, accounting for 25% of the industry in 2013 and growing by a CAGR of 19%, since 2006. The third largest line of business is Property/Fire with a 7% share of total GWP in 2013, growing at a CAGR of 12% since 2006.

The engineering class of insurance, reflecting insurance coverage for builder's risks, construction, mechanical, electronic and machinery breakdown has experienced moderate growth of 12% as a result of the increased in construction and development activities in the country.

Protection & Savings (P&S) has experienced the second highest growth (21% CAGR) since 2006, owing to strong demand for investment-linked products and improved supply. However, the contribution of P&S is only 3% to the aggregate GWPs in 2013.

The energy class of insurance providing coverage for oil, petrochemical and other related energy installations is considered to be highly sophisticated and of a higher risk and accordingly is insured through large overseas insurance providers. The local market share is currently minimal at SAR 456 million but steadily increasing and has shown a growth of 20% in 2013 from 2006.

3 - 4 - 2 Net Written Premium ("NWP") and Retention ratios in Saudi Arabia

NWP is defined as the premiums retained by the insurance company, after the subtraction of the premiums ceded to local or International reinsurers from GWP by line of business. In line with the GWP, the NWP increased from SAR13.5 billion in 2011 to SAR 16.1 billion in 2012 and SAR 19.2 billion in 2013 registering annual growths of 19% and 20%, respectively. Of the total, a significant portion amounting to 91% was generated by the two compulsory lines of insurance i.e., Health and Motor in 2013.

The retention ratio measures the written premiums retained by the insurance company. It is calculated by dividing the NWP by the GWP. The overall retention ratio of insurance companies in the Saudi market increased to 76% in 2013 from 75.8% in 2012. This ratio is largely skewed due to the high retention ratio of Motor and Health insurance which collectively account for around 76% of the total GWP in 2013. In 2013, the retention ratios for Motor and Health insurance were 94% and 89%, respectively. The weighted average retention ratio of other insurance lines of business (i.e., excluding Motor and Health insurance) increase to 30% in 2013 compared to 20% in 2012.

The retention ratios are high because of the requirement for licensed insurance companies to adhere to a minimum retention ratio of 30%. This ratio has improved historically with the increase in underwriting capacity and sophistication of the insurance sector.

Table 3-2: Net Written Premiums (2011 - 2013)

Class of Business (SAR millions)	NWP 2011 (SAR millions)	% of Total	NWP 2012 (SAR millions)	% of Total	NWP 2013 (SAR millions)	% of Total	Retention Ratio 2012
Health	8,225	61%	9,951	62%	11,456	60%	89%
Motor	3,711	27%	4,408	27%	5,967	31%	94%
Property	136	1%	203	1%	282	2%	17%
Engineering	131	1%	166	1%	180	1%	15%
Accidents & Liabilities	280	2%	329	2%	391	2%	42%
Marine	205	2%	230	1%	242	1%	33%
Energy	7	-	7	-	8	-	2%
Aviation	1	-	2	-	4	-	3%
Life – Protection & Savings	841	6%	767	5%	714	4%	*%
Total	**13,537**		**16,064**		**19,243**		**76%**

Source: The Saudi Insurance Market Report 2012 issued by SAMA

*The retention ratio for Protection and Savings is not shown. An element of savings must be retained in the contract in the Saudi company. Thus, the retention ratio for Protection and Savings is not directly represented for other insurance activities.

3 - 4 - 3 Gross Claims Paid

Total gross claims paid increased by 25% from SAR 13.6 billion in 2012 to SAR 17 billion in 2013. In 2013, Health and Motor gross claims paid grew by 22% and 36%, respectively compared to 2012. In 2013, Property/Fire insurance recorded the highest growth rate in gross claims paid, after increasing by 57% from SAR 189 million to SAR 297 million.

3 - 4 - 4 General and Health - Net Earned Premiums versus Net Claims Incurred

Net Earned Premiums (NEP) is equal to NWP minus the change in net unearned premiums reserve, while, Net Claims Incurred (NCI) is the total claims paid plus the change in outstanding and IBNR claims reserve.

The insurance market's General and Health NEP totalled SAR 17.2 billion in 2013, up from SAR 14.1 billion in 2012, which represents a 22% increase. General and Health NCI increased by 46% for the year 2013 to reach SAR 15.9 billion.

The loss ratio is equal to NCI divided by NEP. In 2013, General and Health net claims ratio increased to reach 93% from 78% in 2012.

3 - 4 - 5 Market Profitability

Insurance underwriting results are the outcome of subtracting all insurance related expenses from insurance related revenues. The net result is equal to the sum of insurance operation revenues minus the sum of insurance operation expenses.

Investment result is the total of insurance operation investment income minus total of insurance operation investment expense.

In 2013, the insurance underwriting result totalled SAR 1.7 billion, which represents a 253% increase from 2012 figures. Investment result increased to SAR 334 million in 2013 from SAR 323 million in 2012. The insurance market's net result decreased from SAR 972 billion in 2012 to SAR (1.4) billion in 2013, which represents a 247% decrease.

Return on Assets (ROA) is the ratio of net result to total assets. In 2013, insurance market's ROA was 3.4%. Return on Equity (ROE) is the ratio of net result to total shareholder equity. In 2013, Insurance market's ROE was 15.3%.

3 - 4 - 6 Policyholder Assets and Liabilities

At the end of 2013 insurance companies held SAR 4.3 billion in cash and cash equivalents in their policyholders' accounts. Investment accounted for the biggest share of policyholders' assets, with a value of SAR 8.5 billion, followed by receivables (net) with a value of SAR 7.2 billion. Total Policyholders' (operation) assets amounted to SAR 30.7 billion.

At the end of 2013, insurance companies held SAR 22.3 billion in technical reserves, which consist of unearned premiums, outstanding claims, IBNR and adjustment expense reserves. Mathematical reserves amounted to SAR 2 billion. Policyholders' liabilities and equity amounted to SAR 30.7 billion.

3 - 4 - 7 Shareholder Assets and Liabilities

At the end of 2013, insurance companies' shareholders held SAR 2.3 billion in cash and cash equivalents. Investments accounted for the biggest share of shareholders' assets, with a value of SAR 7.8 billion. Shareholders' assets amounted to SAR 11.5 billion. Insurance companies' total assets amounted to SAR 42.2 billion.

At the end of 2013, shareholders' liabilities amounted to SAR 2.6 billion, while, shareholders' equity totalled SAR 8.8 billion. Share capital constituted the biggest share of shareholders' equity with a value of SAR 9.7 billion. Shareholders' liabilities and equity registered SAR 11.5 billion. Insurance companies' total liabilities and equity amounted to SAR 42.2 billion.

3 - 4 - 8 Saudi Arabian Insurance Density and Penetration

Insurance penetration of total GDP is defined as GWPs divided by the total GDP. Since 2009, insurance penetration has been decreasing at a CAGR of 3%. In 2013, insurance penetration increased to 0.90%, from 0.78 in 2012. This is mainly due to the modest growth in total GDP (2.5% in 2013 compared to 26% in 2012).

However, this insurance penetration for Saudi Arabia is still very low when compared with developed markets as well as emerging markets (2.7% in 2013). This is reflected in the low level of insurance penetration seen in Table 3-3.

Insurance density is defined as GWP per Capita. Insurance density increased from SAR 725 per capita in 2012 to SAR 864 per capital in 2013, which represents a 19% increase. Expenditures per Capita on insurance products have increased by an average annual rate of 11% from 2009 to 2013 attributable mainly to increase in Health insurance.

Table 31: Insurance Penetration and Density

	2012	2013
Insurance Density (per Capita, SAR)	725	864
% change Y-o-Y	6%	19%
Penetration	0.78%	0.90%
% change Y-o-Y	-8%	15%

Source: The Saudi Insurance Market Report 2013 issued by SAMA

3 - 4 - 9 Distribution Channels

Most insurance companies in Saudi Arabia derive much of their business from their founders and shareholders. Intermediaries are active in the corporate client market especially those involving major industrial and commercial businesses. The power and influence of the major intermediaries such as Marsh, Aon, Willis and Arab Commercial Enterprises (ACE/ JLT) is believed to have increased in the last three years.

In many cases banks have links with insurance companies and while they have not developed specific insurance schemes, they have influenced the placement of insurance through referrals. Some of the insurance companies have major banks as leading shareholders, and these companies use the related bank's distribution network to market personal and corporate insurance products, such as marine cargo insurance introduced as a result of letter of credit applications as well as health and life insurance.

Distribution systems, which remained traditional for many years, have been evolving in line with the major changes taking place in the market as a result of the Insurance Law. Bancassurance in particular seems likely to be a leading channel of personal lines distribution development in the future. Direct marketing is hampered by the difficulties in accurate postal delivery, and widespread internet selling related to insurance is still probably several years away from mature development, with some companies selling small personal insurance policies on the internet.

3 - 5 Future Developments

The insurance industry in Saudi Arabia is expected to undergo significant development as a result of the Insurance Regulations, and due to general macroeconomics changes and new government policies. The Management believe these developments are likely to occur based on the following plans:

- Although the capital of many subsidiary companies recently established (primarily by large international insurance companies) indicates they have not obtained a very large market share, the insurance market is expected to become more attractive to a number of insurance companies.
- The market outside of the protection and savings category is expected to become less fragmented in the future. SAMA has indicated that it will not issue new licenses for a period of five years.
- Intense competition has resulted in decreased premiums and profits. Under such competition, business will likely be consolidated through mergers or market exits before investments mature and large returns are yielded.
- Licensed companies will likely operate in a more transparent environment due to joint stock company requirements and regulatory reporting requirements.
- Introduction of compulsory health insurance for non-Saudis and implementation of a similar system covering Saudis will lead to a significant increase in insurance companies' client base.
- New insurance products will be released on the market due to the dynamic changes in companies' operation activities. As a result, more options may be available to clients.
- Companies are expected to become stronger financially as a result of the compulsory reserves.
- Based on SAMA's good reputation as the banking sector regulator, the insurance sector is likely to be in a good regulatory condition.
- Certain entities active outside of protection and savings insurance sector might seek to diversify their business to include protection and savings insurance, especially if the competitive conditions of the health insurance and motor insurance markets are more stringent than those anticipated by most commentators at the present time.
- Protection and savings insurance is nearly non-existent on the Saudi market at the present time. However, with the regulation and development of the market and with increasing customer awareness, traditional protection and savings insurance as well as Takaful insurance is likely to increase beyond its current penetration level.

4. The Company

4 - 1 Introduction

ACIC is a Saudi joint stock company registered under Commercial Registration No. 1010287831 dated 29/11/1430H (corresponding to 17/11/2009G) issued in Riyadh. Pursuant to SAMA licence No. TMN/24/200912 dated 26/12/1430H (corresponding to 13/12/2009G), the Company is licensed to transact insurance and reinsurance business in general insurance, health insurance and protection and savings.

The Company was formed in accordance with MoCI resolution No. 355 dated 27/11/1430H (corresponding to 15/11/2009G), Council of Ministers Resolution No. 5 dated 08/01/1430H (corresponding to 05/01/2009G) and in accordance with Royal Decree No. M/2 dated 09/01/1430H (corresponding to 06/01/2009G). The head office of the Company is situated at the 2nd Floor Abdullatif Building, Office No. 203, Tahlia Street, Suleymaniyah, Riyadh, Saudi Arabia.

The Company was incorporated after the completion of the initial public offering, with the issuance of the Minister of Commerce and Industry's resolution declaring the incorporation of the Company, and the publication of the Company's Articles of Association and Bylaws. The Company then obtained its CR and the SAMA licence to transact insurance business in the Kingdom of Saudi Arabia. The share capital of the Company is two hundred million Saudi Riyals (SAR 200,000,000) consisting of twenty million (20,000,000) shares of SAR10 each. Six million (6,000,000) shares, representing 30% of the issued share capital of the Company upon incorporation, was offered to the public through an initial public offering from 03/10/2009G to 09/10/2009G and the Company shares were listed on Tadawul. SAMA approval has recently been obtained pursuant to letter No. 351000081755 dated 23/6/1435H (corresponding to 23/4/2014G) for a capital increase of two hundred million Saudi Riyals (SAR 200,000,000) through a public offering.

4 - 2 Corporate History and Key Developments

- Founders obtain a licence to establish the company pursuant to Royal Decree No. M/2 of 09/01/1430H (corresponding to 06/01/2009G).
- Company shares were offered in an initial public offering in the fourth quarter of 2009G.
- SAMA approval has recently been obtained pursuant to letter No. 351000081755 dated 23/6/1435H (corresponding to 23/4/2014G) for a capital increase of two hundred million Saudi Riyals (SAR 200,000,000) through a public offering.

4 - 3 Vision, Mission and Strategy

4 - 3 - 1 Vision

The vision of the Company is to become the market leading insurer and the most reliable, service driven and innovative solution provider through development of partnerships and teamwork.

4 - 3 - 2 Mission

The mission of the Company is to protect individuals and companies against the risks they face in their daily life and business activities by providing insurance products and services that meet their needs and expectations.

4 - 3 - 3 Strategy

ACIC strategy focuses on providing service-led propositions by partnering with brokers, affinity partners and customers for creating a platform from which ACIC can consistently deliver sustainable and profitable growth. The strategy is aimed at delivering "out-performance" and is based on four key pillars as business drivers:

1. Brokers
2. Distinctive relationships
3. Alternate products
4. Alternate sectors

1. Brokers

Al Alamiya has focused on corporate clients for growing its business, and with the increasing complexity of the insurance business and risks, and with most companies focusing on their core competitive distinctions to improve their profitability, Al Alamiya expects that brokers will gain more significance and be granted roles in the management of insurance risks, especially for corporate lines of business.

It is therefore necessary for Al Alamiya to partner with leading brokers in the market to achieve its strategic objectives.

Accordingly, Al Alamiya has been increasingly engaging with brokers since 2012 for its business growth, and has recently approved a special initiative to develop customized service-driven propositions and products to brokers. These propositions aim to provide enhanced and differentiated levels of service to brokers based on the volume and profitability of the business placed by them with Al Alamiya.

2. Distinctive Relationships

While it recognizes the huge business potential in the retail customer segment, Al Alamiya is not looking to enter this segment directly in the near future. However, the Company is looking to service the insurance needs of retail customers through its partner and agency distribution partners.

Riyad Bank being a shareholder in Al Alamiya and with Riyad Bank establishing an agency for distribution of insurance products to its customers, Al Alamiya is looking to tap into the huge potential offered by its relationship with Riyad Bank to distribute its products to the retail as well as the corporate clients of the Bank. Bancassurance business in KSA is still in its infancy, and Al Alamiya is looking to leverage the experience of RSA Group across its various global operations to be a leader in the Bancassurance space in KSA. In addition, Al Alamiya has also started distributing its products through other agencies to further its distribution reach in the market.

3. Alternate products

The Company's insurance sales in the KSA have been primarily focused on the traditional products (Motor, Marine, Property, etc.). With the increasing affluence of the population, coupled with the rising awareness about insurance and protection, Al Alamiya sees an opportunity in providing lifestyle and other non-traditional product offerings to customers in the Kingdom.

Al Alamiya is looking to leverage the global product experience of RSA Group to develop new and innovative products to the KSA market by providing alternate lifestyle products to meet the diverse and increasing needs of the Kingdom's populace.

4. Alternate sectors

Al Alamiya has traditionally focused on industrial and corporate customer segments for distribution of insurance products where it has core capabilities and strengths to service the needs of these segments. However, with the competitive landscape getting more and more crowded, Al Alamiya is looking to identify new "greenfield" segments in the market to create a niche for its alternate products.

At the same time, Al Alamiya is also exploring avenues to increase the technical capabilities and efficiency of its employees with an aim to expand its appetite and address the needs of existing market and customer segments where it is not a strong player.

While focusing on building a strong base to deliver sustainable and profitable growth, Al Alamiya also remains committed to servicing the needs of the large number of long standing direct customers who are strategically important, as they also play a role in referring other customers to the Company. In order to ensure that these existing customers receive good service, a Key Account Management team has been set up and the strategy to service the existing customers has been rolled out.

4 - 3 - 4 Key Strategy Enablers

In order to be able to provide the highest levels of service consistently to deliver customer satisfaction and building lasting partnerships, Al Alamiya has identified the following four key enablers to build and develop internal capabilities to support its externally focused activities and be more agile in responding to business and market needs and differentiate itself through the service offering.

i. Business and Operational Performance Excellence

Al Alamiya is striving for operational excellence supported by its service driven propositions to achieve the Company's strategic and business objectives. This is planned to be achieved through a combination of the following:

- a fit-for-purpose organization design with a lean staffing structure, having the right people in the right roles with clear job responsibilities to enhance operational efficiency and functioning;
- improving staff utilization and make efficient use of available resources to bring in cost efficiencies;
- establishing a conducive work environment through consolidation and centralization where functional teams have a close working relationship and the employees strive to do their best;
- efficient and standardized processes, leveraging automation and IT to establish processes with as-minimal-as possible human interactions for speed, consistency and reliability in its services; and
- upgrading the IT infrastructure and systems to support the delivery of operational excellence.

ii. Engagement and teamwork

Al Alamiya recognizes the need to have high levels of engagement and commitment amongst its people, and is undertaking various measures to ensure the same is achieved.

Along with the roll out of the fit-for-purpose organization design, which will provide greater clarity on roles and responsibilities to employees, ACIC is also working on centralizing its workforce where suitable, to have its team working together – both among and across functions – to foster a healthy and conducive work environment.

In addition, Al Alamiya is also implementing numerous other measures to enhance the interactions between various functions to drive greater teamwork amongst its employees for a united effort in meeting the Company's objectives and goals.

iii. Continuous capability and efficiency enhancement

ACIC has always believed that its core strength lies in its people and their ability to service the ever-growing needs of its customers and distribution partners. ACIC is hence investing in its people to upgrade their technical capabilities and skills to be able to support and deliver the company's objectives and goals. It does so through a systematic process of identifying key technical and skill gaps in its employees, and undertaking necessary knowledge-transfer activities to ensure its employees have the requisite skills and knowledge for performing to the best of their abilities in satisfying the needs and expectations of ACIC's customers and partners.

iv. Robust control and compliance framework

As with all other institutions and businesses in the financial services sector, ACIC recognizes the fundamental need to have a strong and robust governance and control framework for its operations to ensure it is in a position to fulfill its obligations to its policyholders as well as its shareholders at all times.

Accordingly, Al Alamiya is constantly reviewing and enhancing its control and compliance frameworks to ensure it is always adhering to regulatory as well as internal business requirements at all times.

4 - 4 Group Structure, Corporate History and Evolution of the Company

4 - 4 - 1 Group Structure

ACIC is a member of the RSA Group, one of the world's leading insurance groups having a 300 year heritage, employing 23,000 people and serving 17 million customers in over 140 countries.

Listed on the London Stock Exchange, RSA Group is a FTSE 100 company with a market capitalization of approximately GBP 4,847 million (equivalent to SAR 30.8 billion) on 25 June 2014.

RSA Group reported a loss of GBP 338 million (equivalent to SAR 2.175 billion) for the year ended 31 December 2013. On 31 December 2013, RSA Group had shareholders' funds of approximately GBP 3,014 million (corresponding to approximately SAR 19.2 billion).

The following table summarizes the shareholders holding 5% or more of RSA Group plc:

Table 4-1 Major Shareholders (Holders of 5% or more) of RSA Group as on 04 June 2014

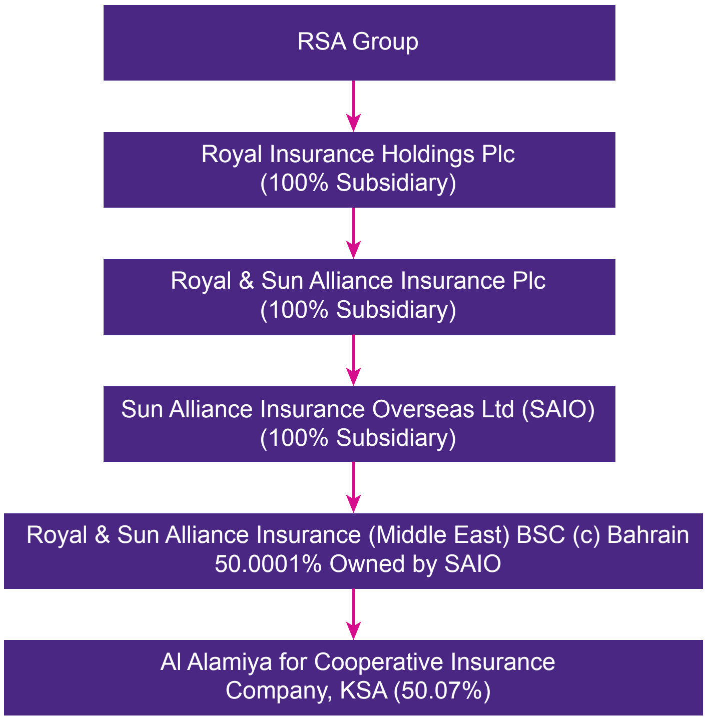
Name of Shareholder	Percentage
Franklin Mutual Advisors LLC	5.01%
Ameriprise Financial Inc. and its Group	5.13%
The Capital Group Companies, Inc.	5.14%
Cevian Capital II G.P. Limited	7.29%

Source: The Company

Under a Licensing Agreement with RSA Group, the Company uses certain trademarks and other intellectual property rights in connection with the provision of insurance services in KSA.

The chart below shows the entity relationship structure of the Company with the RSA Group.

Exhibit 4-1: Company's Group Structure



Source: The Company

* Due to the fact that RSA owns 50.0001% of RSA ME BSC which owns 50.07% of ACIC, indirect ownership of RSA is 25.03%.

4 - 5 Shareholding Structure

4 - 5 - 1 Founding Shareholders

The principal shareholders of the Company are Royal & Sun Alliance Insurance (Middle East) BSC (c), Bahrain ("RSA ME") and Riyad Bank who respectively hold 50.07% and 19.92% of the share capital of the Company. In addition, Riyad Bank holds an indirect interest in the Company through its 21.428% holding in RSA ME. Accordingly, Riyad Bank's total shareholding in the Company amounts to 30.65%.

The founding shareholders of the Company are set out in the table below:

Table 4-2 Founding Shareholders

Name of Shareholder	Nationality	Number of Shares	Nominal Value of Shares (SAR)	Percentage (%)
RSA ME	Bahrain	10,014,000	100,140,000	50.0700
Riyad Bank	KSA	3,984,000	39,840,000	19.9200
Obeid Wahib Binzagr	KSA	500	5,000	0.0025
Yousef Ali Al Quraishi	KSA	500	5,000	0.0025
Saad Abdulatif Al-Issa	KSA	500	5,000	0.0025
Adnan Hamza Bogary	KSA	500	5,000	0.0025
Public	N/A	6,000,000	60,000,000	30.0000
Total	**N/A**	**20,000,000**	**200,000,000**	**100.00**

Source: The Company

4 - 5 - 2 The Direct and Indirect Shareholding of the Founders of the Company:

Table 4-3: Direct and Indirect Shareholding of Al Alamiya Founding Shareholders as on 07/08/2014G

Name of Shareholder	Direct Shareholding (%)	Indirect Shareholding (%)	Total (%)	Source of Indirect Shareholding
RSA ME	50.07	Nil	50.0700	Nil
Riyad Bank	19.92	10.7290	30.6490	Owns 21.428% of RSA ME
Obeid Wahib Binzagr (Son and sole heir of late Wahib Said Binzagr)	0.0025	0.7703	0.7728	Obeid Wahib Binzagr owns 99.98% of Obeid Bin Wahib Said Binzagr & Partners Company Limited, Obeid Bin Wahib Said Binzagr Company Limited owns 16.156% of ASMOB and ASMOB owns 9.5238% of RSA ME
Yousef Ali Al Quraishi	0.0025	Nil	0.0025	N. A.
Saad Abdulatif Al-Issa	0.0025	Nil	0.0025	N. A.
Adnan Hamza Bogary	0.0025	3.1624	3.1649	Owns 6.316% of RSA ME

Source: The Company

4 - 5 - 3 Major Shareholders (holders of 5% or more of the share capital of the Company):

Table 4-4: Major Shareholders (Holders of 5% or more) of Al Alamiya as on 07/08/2014G

Name of Shareholder	Nationality	Number of Shares	Nominal Value of Shares (SAR)	Percentage (%)
RSA ME	Bahrain	10,014,000	100,140,000	50.07
Riyad Bank	KSA	3,984,000	39,840,000	19.92
Total		**13,998,000**	**139,980,000**	**69.99**

Source: The Company

4 - 6 RSA ME as a Member of RSA Group

RSA ME is a member of the RSA Group. RSA Group has a long trading history in the Middle East region spanning more than fifty five (55) years and a presence in the KSA of over thirty five (35) years. It currently operates in thirty three (33) countries and provides a wide range of general insurance products and services in over one hundred and forty (140) countries to over seventeen (17) million customers.

4 - 6 - 1 RSA ME Ownership Structure

RSA ME was incorporated as an Exempt Closed Joint Stock Company in the Kingdom of Bahrain under Commercial Registration No. 24136 dated 24/05/1411H (corresponding to 12/12/1990G). In 2013, the "Company", with the approval of the Central Bank of Bahrain and the Ministry of Industry & Commerce, Bahrain, converted its legal structure to that of a Bahraini closed joint stock Company (B.S.C (c)) and is now registered under the name Royal & Sun Alliance Insurance (Middle East) BSC (a closed joint stock company).

RSA ME is a subsidiary of Sun Alliance Insurance Overseas Limited ("SAIO") which in turn is owned 100% by RSA Group. The registered office of RSA ME is located at Flat No 2, Building No 614, Road No 1011, Block 410, P.O. Box 11871, Manama, Kingdom of Bahrain, and it carries out insurance operations in the Kingdom of Bahrain. It also operates in the Sultanate of Oman through its subsidiary Al Ahlia Insurance Company, SAOC, Oman and it operates in the United Arab Emirates through its Branches in Dubai, Abu Dhabi and Sharjah. In KSA it operates through its subsidiary ACIC.

The issued and paid up share capital of RSA ME is USD 54,311,800 (corresponding to SAR 203,669,250) divided into 54,311,800 ordinary shares of the nominal value of USD 1 for each share (SAR 3.75).

As explained (in section 2.1.13 - "Significant Reliance on RSA Group"), RSA Group is currently in the process of reviewing its business and is studying its options with regard to its share in RSA ME. In the event that RSA Group decides to reduce its presence in the Middle East, it is likely to commence such with the anticipated sale of its share in RSA ME to an international or regional insurance company or to a strategic investor with experience in the insurance sector. This anticipated disposal would not take place until after the required approvals have been obtained from the regulatory authorities. RSA management has not made any decisions about the sale of its operations in the Middle East. There is no information about the occurrence of any disposal of this kind and whether such might lead to the sale of shares in RSA ME or shares of SAIO were RSA Group to sell its operations in the Middle East.

RSA Group will conduct a full study on the possibility of this anticipated disposal and has issued instructions to its advisers to prepare an "information room" and an informational memorandum containing data relating to its business in the Middle East. RSA Group's expectations remain limited to receiving letters of interest from potential buyers about purchasing its business in the Middle East after the Rights Issue. RSA Group has made it clear to the Company that it does not expect to complete the review of its business until after the Rights Issue is completed. Consequently, any probable disposal of this type, if commenced, and any contract set therefor, is not expected to be signed by RSA Group until after the Rights Issue. Disclosure of any sale or material change that might take place will be made as soon as it occurs, and the required approvals will be obtained from SAMA before the sale is completed. In its letter of 14/7/2014G sent to SAMA, RSA Group confirmed its intention to subscribe for all its Rights according to its ownership in the Company.

If RSA Group is obliged to reduce its presence in the Middle East through the anticipated sale (which might be after the Offering) of its share in RSA ME, the latter would continue to be the Company's parent establishment. The Company would lose the support and services of the competitive advantages enjoyed by the Company as a result of its relationship to RSA Group, including but not limited to the purchase and sales operations the Group provides to it, directly or through third parties. The Company anticipates making up for this support and for those services either through a new partner who will join the Company to replace RSA Group or through other related service providers depending upon the situation. RSA Group's board of directors has not made any decisions about whether or not to sell its share in RSA ME, and any decision of this kind would not be made until after the review of its business is completed, as it is currently studying its options with regard to its shares in RSA ME.

The ownership structure of RSA ME on 07/08/2014G is set out in the table below:

Table 4-5: Shareholding Structure of RSA ME as on 07/08/2014G

Name of Shareholder	RSA ME Share Capital		Indirect Holding in Al Alamiya	
	Shares Held	Percentage	No of Shares	Percentage
Sun Alliance Insurance Overseas Ltd	27,155,913	50.00002%	5,007,002	25.03500%
Riyad Bank	11,638,238	21.42856%	2,145,856	10.72900%
Abdullah Said M O Binzagr Company	5,172,550	9.52381%	953,714	4.76900%
Ali Zaid Al Quraishi & Brothers	5,172,550	9.52381%	953,714	4.76900%
Adnan Hamza Bogary	3,430,263	6.31587%	632,471	3.16200%
Amal Hamza Bogary	1,742,286	3.20793%	321,243	1.60600%
Total	**54,311,800**	**100.0000%**	**10,014,000**	**50.0700%**

Source: RSA ME Share Register

RSA ME and Riyad Bank entered into a Partnership Agreement on 24/04/1429H (corresponding to 30/04/2008G) to govern the relationship between them in relation to the Company and its operations.

4 - 6 - 2 Sun Alliance Insurance Overseas Limited

Sun Alliance Insurance Overseas Limited (formerly The Westminster Fire Office) was incorporated in the UK on 12/3/1906G as an unlimited liability company. In 23/12/1988G, it was converted to a limited company and changed its name to Sun Alliance Insurance Overseas Limited.

SAIO is a 100% owned subsidiary of RSA Group.

4 - 6 - 3 Riyad Bank

Riyad Bank is a public joint stock company incorporated and operating in the KSA since 1957. Riyad Bank is one of the largest financial institutions in the KSA, operating 252 branches in the KSA and with offices in London (UK), Houston (USA) and Singapore. Riyad Bank employed 5,713 employees as at 31/12/2013G.

Listed on Tadawul, Riyad Bank had a market capitalisation of SAR 56,550 million as at 04/06/2014G.

As at 31/12/2013, Riyad Bank's annual accounts reported a total revenue of SAR7,074 million, total assets of approximately SAR205,246 million and shareholders' equity of approximately SAR33,870 million. Riyad Bank currently manages approximately SAR153 billion of customer deposits and loans of approximately SAR131 billion.

Riyad Bank and RSA ME have entered into a Partnership Agreement as referred to in paragraph 4.6.1 – "Ownership Structure of RSA ME".

The major shareholders of Riyad Bank are set out in the table below.

Table 4-6: Major Shareholders (5% or more) of Riyad Bank as on 07/08/2014G

Name of Shareholder	Holding (%)	Indirect interest in ACIC
Public Investment Fund	21.7	6.65%
General Organization of Social Insurance	21.6	6.62%
AlNahla Company for Trading and Construction	9.1	2.79%
Masek Holding Company	8.0	2.45%
PPA	9.1	2.79%
Total	**69.5%**	**21.30%**

Source: Tadawul (as of 07/08/2014)

4 - 6 - 4 Ali Zaid Al-Quraishi & Brothers Co. Limited

Ali Zaid Al-Quraishi & Brothers Co. Ltd. is a shareholder of RSA ME with a shareholding interest of 9.5238%.

Ali Zaid Al-Quraishi & Brothers Co. Ltd. is a privately owned Saudi company established in 1958 with a focus on carrying out trading activities in the KSA and the GCC in partnership with major international names.

Ali Zaid Al-Quraishi & Brothers Co. Ltd. was registered in Dammam on 05/11/1391H (corresponding to 23/12/1971G) and converted to a limited liability company on 29/07/1422H (corresponding to 16/10/2001G) with a paid-up capital of one hundred million Saudi Riyals (SAR 100,000,000).

Ali Zaid Al-Quraishi & Brothers Co. Ltd. has grown into a leading Saudi investment company and broadened its scope of investment activities to include the electrical, telecommunications, automobile, financial services and IT sectors.

The ownership structure of Ali Zaid Al-Quraishi & Brothers Co. Ltd. is set out below:

Table 4-7: Shareholding Structure of Ali Zaid Al-Quraishi & Brothers Co. Ltd. as on 07/08/2014G

Name of Shareholder	Shareholding (%)	Indirect Interest in Al Alamiya
Ali Zaid Al-Quraishi & Sons Company	20.000	0.9538%
Abdulaziz Zaid Al-Quraishi & Partners Company	20.000	0.9538%
Khaled Zaid Ali Al-Quraishi & Partners Company	20.000	0.9538%
Saleh Zaid Al-Quraishi & Sons Company	20.000	0.9538%
Abdulrazak Zaid Al-Quraishi & Partners Company	20.000	0.9538%
Total	**100.000**	**4.7690%**

Source: The Company

4 - 6 - 5 Abdullah Said M.O. Binzagr Company Limited

Abdullah Said M.O. Binzagr Co. Ltd. is a founding shareholder of RSA ME with a shareholding interest of 9.5238%.

Abdullah Said M.O. Binzagr Co. Ltd. was registered as a general partnership in Jeddah on 04/03/1387H (corresponding to 13/06/1967G) and converted to a limited liability company on 24/12/1424H (corresponding to 15/02/2004G) with a paid-up capital of nineteen million nine hundred and thirty thousand Saudi Riyals (SAR 19,930,000).

Abdullah Said M.O. Binzagr Co. Ltd. is the holding company for a diverse range of businesses interests and investments across a number of sectors such as manufacturing, retail distribution, telecommunications and shipping.

The table below sets out the ownership structure of Abdullah Said M.O. Binzagr Co. Ltd.

Table 4-8: Shareholding Structure of Abdullah Said M. O. Binzagr Co. Ltd. as on 07/08/2014G

Name of Shareholder	Shareholding (%)	Indirect Interest in ACIC
Obeid Bin Wahib Said Binzagr & Partners Company Limited	16.156	0.77%
Faisal Said Binzagr Company Limited.	16.156	0.77%
Abdullah Said Binzagr	16.156	0.77%
Binzagr for Industrial & Commercial Investment Company Limited	16.156	0.77%
Al Thoraiya Al Mutatawerah Al Thijariya Company Limited	7.075	0.338%
Safeya Bint Said Bin Mohammed Obeid Binzagr Company Limited and partners	7.075	0.338%
Suaad Said Binzagr	7.075	0.338%
Olfet Said Binzagr	7.075	0.338%

Name of Shareholder	Shareholding (%)	Indirect Interest in ACIC
Abdul Rehman Abdullah Abbar & Sons Company Limited	2.830	0.135%
Ghazi Abdullah Mahmoud Abbar & Partners Company Limited	2.830	0.135%
Omamah Abdullah Abbar for Investment Trading Company Limited	1.416	0.067%
Total	**100.000**	**4.769%**

Source: The Company

4 - 7 Direct and Indirect Interests of the Board of Directors and Executives in the Company

In accordance with the provision of Article No. 68 of the Companies Regulations, each member of the Board of Directors is required to own shares worth at least ten thousand (SAR10,000) Saudi Riyals after the flotation of the Company's shares for public subscription.

The following table sets out the direct and indirect interests of the Board in the Company:

Table 4-9: Direct and Indirect Interests of the Board in the Company

Name of Director	Number of Shares	Indirect Holding (%)
Ali Husein Alireza	1000	Nil
Ossama Abdul Bagi Bukhari	1000	Nil
Adel Ahmed Al-Sheikh	1000	Nil
Mohammed Saud Al-Blehed	1000	Nil
Khalid Abdul Aziz Al-Hamdan	1000	Nil
Khalid Jaafar Allagany	1000	Nil
Andrew John Burke	1000	Nil
Sean William Lowther	1000	Nil
Christopher Phillip Dooley	1000	Nil

Source: The Company

Other than the number of shares stated in the table above, none of the Board of Directors and executive officers or the secretary of the Board of Directors of the Company have any direct or indirect interest in the Company as of the date of this Prospectus.

4 - 8 Business Policies and Business Standards

The Company conducts its business in accordance with a suite of policies and business standards prepared by the Company's management team, reviewed by the Audit Committee and approved by the Board of Directors. Technical support and guidance in support of the preparation of the policies and standards was provided by the RSA Group.

4 - 9 Customer Service and Claims Handling

The Directors believe that key service delivery measures include accurate, timely and proactive policy processing and servicing of claims. The Company delivers quality service to all of its customers by utilizing the RSA ME bespoke IT platform in all of its branches. This is designed to facilitate customer service delivery as well as producing adequate management information.

The Company delivers claims response from its branches in Jeddah, Khobar and Riyadh and operates in accordance with the requirements of the Insurance Laws and Regulations.

4 - 10 Marketing and Distribution

The Company's marketing strategy consists primarily of:

- maintaining and renewing existing policies within the Portfolio;
- developing and sourcing new business through licensed intermediaries;
- maximizing the support and influence of the Founders; and
- continuously working with other new business partners.

The Company utilises the expertise of the RSA Group, if and when needed, in order to develop its products and services.

The Company's marketing strategy includes advertising, branded promotions, public relations, brand development, market research and web development.

The Company services its customers through branch offices situated in Riyadh, Jeddah and Al Khobar. Its distribution strategy focuses on direct, intermediary and bancasurrance partner channels as well as on the Founding Shareholders' support.

4 - 11 Saudisation and Employee Development

4 - 11 - 1 Saudisation

The Company follows a progressive policy on Saudisation in line with the Insurance Regulations and the government's Nitaqat program ("Nitaqat"). The Company has achieved 52.35% Saudisation within five years of operation. The following table illustrates the number and percentage of the Company's Saudi and non-Saudi employees:

Table 4-10: Number of Saudi and non-Saudi employees and Saudisation Ratio at the Company as of 30 September 2014

Department	Saudis	Residents	Total	Saudisation Ratio (%)
Upper Management	1	0	1	100
Underwriting	8	14	22	36.37
Claims	19	9	28	67.86
Sales	10	10	20	50
Operations	17	6	23	73.92
Finance	4	9	13	30.77
Information Technology	1	6	7	14.29
Management/HR	6	1	7	85.72
Others	5	6	11	45.46
Total	**72**	**60**	**132**	**54.55**

Source: The Company

As of 15/6/2014, ACIC had 128 employees with a Saudisation ratio of 54.55%. The Company's Nitaqat status as at 30/10/2014 was under the "Green" category, which demonstrates that the Company has achieved a high level of Saudisation.

4 - 11 - 2 Employee Development

Management believes that employees are a key factor in the development of a solid progressive business and accordingly, the Company leverages both local and international expertise. The Company's approach to employment is as follows:

- recruitment of graduates;
- in-house training both at the Company and RSA Group level as well as outsourced training;
- employees encouraged to pass the Chartered Insurance Institute certification examination; and
- Recruitment of non-Saudis only where necessary.

4 - 12 Reinsurance Arrangements

The Company reinsures a portion of the risks it assumes under its insurance operations to balance its risk exposure and protect its earnings and capital resources. The extent of Reinsurance which is contracted both in total and from reinsurers in the KSA is specified in the Insurance Regulations which require the Company, should it decide to reinsure at all, to reinsure at least 30% of its gross premium in the KSA. However, insurance companies may obtain written exemptions from SAMA. The availability of Reinsurance in the KSA depends upon the position of global and KSA insurance markets, Reinsurance capacity and the requirements of and exemptions obtained from SAMA.

The Company participates in the purchase of Reinsurance through the RSA Group as well as purchasing supplementary Reinsurance both inside and outside the KSA on a stand-alone basis, in each case in compliance with the requirements of the Insurance Regulations. To do so, the Company obtains approvals or written exemptions from SAMA (as required) from time to time. This strategy allows the Company to achieve preferential overall terms and to access additional Reinsurance capacity which is greater than a standalone business operating in one country could achieve.

4 - 13 Investment Management

The Company's Investment Committee is responsible for establishing policies and guidelines governing its investment operations and the method of managing its investment portfolios. The policies and guidelines, which are approved by the Board, take into account the requirements of the Insurance Regulations. The Company does not have an investment department but utilizes the expertise of specialists such as external fund managers, in particular Riyad Capital.

4 - 14 Risk Management

The Company faces a number of risks in its operations (including, but not restricted to insurance related risks, operational, regulatory and other risks) and has established adequate internal controls and risk management functions.

Risk management with respect to the most significant risk, insurance, is primarily focused on pricing and acceptance and management of risks arising from contracts with customers. The management of the underwriting, Reinsurance and claims risk uses a number of key tools, including the review of the performance and management of all the individual insurance portfolios of the Company and investigating potential emerging risks.

The Company operates under a risk management framework that is designed to identify, assess, measure and manage exposure to risk. The Board and senior management oversee the Company's systems of risk management and implement appropriate measures and controls.

The Company manages its risk in accordance with the Risk Management Regulation as follows:

- A formal risk management framework is applied within which the business policies and standards are set and challenged;
- Management is responsible for setting up a strategy, on-going performance measurement and the establishment and maintenance of internal controls and risk management; and
- The independent and objective assurance of the effectiveness of the Company's systems of internal control and risk management framework is the responsibility of the Company's Audit and Risk Committee.

4 - 15 Competitive Advantages

The Company benefits from a number of advantages compared to some of its competitors in the insurance market. These advantages include:

4 - 15 - 1 Strategic Partners

The Company's Strategic Partners include RSA ME with a 50.07% ownership of the Company and RSA Group as a related party under the agreement to provide technical and administrative support entered into with the Company. Strategic Partners are those partners who provide support to the Company due to their possession of experience and technical, scientific, and operational knowledge regarding the Company's activities, providing added value to the Company due to their possession of this qualitative knowledge.

RSA ME is a member of the RSA Group. The RSA Group currently operates in over thirty three (33) countries and provides a wide range of general insurance products and services in over one hundred and forty (140) countries to over seventeen (17) million customers worldwide. It is one of the longest established insurance enterprises in the

Middle East, with a trading history of over fifty-five (55) years and a presence in the KSA which extends over thirty-five (35) years. This strong relationship with RSA ME enables ACIC to access market leading products, services and expertise from the various businesses they operate around the world.

In addition, through RSA ME, ACIC has access to the RSA Global Network and its worldwide business partners to provide Global Insurance Programmes for multi-national organizations that operate in Saudi Arabia. RSA is known for its leading technical insurance skills and strong training programmes and access to these will enable the Company to build market leading capabilities in the Kingdom.

As of March 2014, Standard & Poor's Rating Agency upgraded its rating for the RSA Group to (A) with a stable outlook from (A-) with 'developing credit watch'.

4 - 15 - 2 Management team with KSA and global insurance expertise

The senior management of the Company are employees that have many years of insurance experience in various countries, including the KSA and other areas of the Middle East and the world, which brings together a global outlook with local experience to provide exemplary service to its customers.

4 - 15 - 3 Strong Customer Base

Operating for over 35 years (through RSA ME) with Branches in Jeddah, Riyadh and Al Khobar, the Company has built a strong base of loyal customers over the years that has helped it to expand and grow. These customers include some of the leading businesses in Saudi Arabia and this has enabled the Company to successfully leverage these relationships to attract other similar businesses. The close relationships nurtured over many years have enabled the Company to gain valuable insights into and experience with customers' needs and have helped developed products and services appropriate for the market.

4 - 15 - 4 Broad Range of Products and Services

The Company is licensed to sell thirty seven (37) insurance products to cover the growing and diverse needs of most customers and businesses. Thirteen (13) products have received SAMA's final approval. Twenty-two (22) products have obtained conditional approval under the category of "Commencement after submitting product request" until 08/10/2014G, while two other products have obtained temporary approval until 08/31/2014G. This is in addition to unlimited access to RSA knowledge and expertise. Included in these services is the growing use of Risk Engineering and Risk Inspection Services in the KSA as customers look to mitigate both insurances costs and exposure to loss. Al Alamiya is able to use the World Class resources of RSA to provide these services while at the same using this expertise to develop its own skills and capabilities.

Product	Status	Until
Property All -Risk Insurance	Provisional approval	8/4/2015
Business Interruption Insurance	Provisional approval	8/4/2015
Home Insurance	Provisional approval	8/4/2015
Fire and Related Risks Insurance	Provisional approval	8/4/2015
Medical Insurance	Final Approval	N/A
Group Life Insurance	Final Approval	N/A
Comprehensive Motor Insurance	Provisional approval	30/11/2014
Compulsory Motor Insurance	Provisional approval	30/11/2014
Money Insurance	Provisional approval	8/4/2015
Vessel loading and unloading insurance	Final Approval	N/A
Banker blanket insurance	Provisional approval	8/4/2015
Stop Loss Insurance for Public Liability and Product Liability	Final Approval	N/A
Public Liability Insurance	Final Approval	N/A
Public Liability and Product Liability Insurance	Final Approval	N/A
Medical Malpractice Insurance	Provisional approval	8/4/2015

Product	Status	Until
Lost Wallet Insurance	Provisional approval	8/4/2015
Small Business Solutions Insurance	Provisional approval	8/4/2015
Workers Compensation Insurance	Provisional approval	8/4/2015
Personal Accident Insurance	Final Approval	N/A
Travel Insurance	Provisional approval	8/4/2015
Employee Dishonesty Insurance	Final Approval	N/A
Hospital Cash Benefit Insurance	Final Approval	N/A
Boiler and Pressure Vessel Insurance	Provisional approval	8/4/2015
Comprehensive Equipment Insurance	Provisional approval	8/4/2015
Comprehensive Business Insurance	Provisional approval	8/4/2015
Contractor All-Risk Insurance	Provisional approval	8/4/2015
Contract Works Insurance	Provisional approval	8/4/2015
Contractor Building and Equipment Insurance	Provisional approval	8/4/2015
Electronic Devices Insurance	Provisional approval	8/4/2015
Erection All Risks Insurance	Provisional approval	8/4/2015
Erection All Risks Profit Loss Insurance	Provisional approval	8/4/2015
Machinery Breakdown Insurance	Provisional approval	8/4/2015
Equipment Profit Loss Insurance	Provisional approval	8/4/2015
Land Crossing Insurance	Final Approval	N/A
Open Cargo Insurance	Final Approval	N/A
Yacht Insurance	Final Approval	N/A
Limited Land Crossing Insurance	Final Approval	N/A

4 - 15 - 5 Leading Technology

The Company uses market-leading technology solutions such as Java, MS Dynamic, and CRM to manage key insurance portfolios with Brokers able to access systems in a number of lines of business to offer leading customer service propositions in Automobile and Marine.

4 - 15 - 6 Strong Relationships with Leading International and Local Brokers

As the Saudi market moves rapidly to a dis-intermediated market, particularly for Commercial Insurance and schemes, Al Alamiya is able to leverage the strong global relationships of the RSA Group. The link to the RSA Brand is widely recognised in the commercial insurance market for expertise, capacity and capability and long term stability.

4 - 15 - 7 Clear Execution Strategy

The Company is following a strategy to grow the business built around developing strong partnerships with intermediaries (brokers and special relationships) as well as exploring opportunities in “Greenfield” segments and non-traditional & lifestyle products, supported by internal capability enhancement to provide service-driven and differentiated offerings to its customers.

4 - 16 Products and Services

The Company writes the following two lines of insurance business:

- Commercial
- Personal

Commercial Insurance

4 - 16 - 1   Property - Material Damage Insurance

The Company offers various products tailored to its customers' needs such as insuring tangible assets (buildings, goods and plant) against various perils and covering total or partial loss or damage caused by fire, weather perils and theft, and can include most types of accidental causes.

The material damage insurance policy may include more specialized covers such as:

- All Computer-Related Risks and Increased Costs of Working;
- Machinery Breakdown and Business Interruption;
- Boiler and Pressure Vessel (Explosion); and
- Contractors Plant and Equipment.

4 - 16 - 2   Property - Business Interruption Insurance

While under material damage insurance, policyholders are covered for the cost of repairing or replacing physical assets, the loss of use of all or part of such assets (offices, factories, shops or plant and equipment) may affect the ability to continue trading and adversely impact turnover and profit. The Company provides cover for such losses under a business interruption insurance policy which is commonly issued together with a material damage insurance policy.

4 - 16 - 3   Construction and Erection All Risks and Third Party Liability Insurance

The Company provides the construction industry with products covering loss or damage relating to such works, including turnkey projects, and liabilities to third parties arising out of the performance or non-performance of such works. The policies can be extended to include loss of income due to delayed commencement of operations caused by loss or damage to the works.

4 - 16 - 4   Motor Vehicle Insurance

The Company provides a full range of motor products in compliance with the latest KSA legislation, the compulsory insurance for all motor vehicles registered in the KSA and third-party liability motor vehicle insurance for in-country transit of foreign vehicles. Third party liability insurance covers legal liability against personal injury, death and damage to public or private property. Insurance is available to individuals and commercial fleets with cover and extensions tailored to their respective needs.

4 - 16 - 5   Workmen's Compensation and Employers Liability Insurance

Workmen's compensation insurance covers the employer's costs and expenses arising from an employee's accident or illness in the course of his/her employment. The workmen's compensation policy also includes the employer's legal liability extension to protect the employer from employees' potential actions and claims under Islamic Law.

4 - 16 - 6   Public and Products Liability Insurance

The Company offers insurance policies covering legal liability to third parties for bodily injuries or damage to their property arising out of or in the course of the policyholder's business. The public liability insurance policy can be extended to cover liability caused by defects in products.

4 - 16 - 7   Money Insurance

The Company's "all risks" money insurance policy would cover loss of or damage to money at the policyholder's premises or while in transit.

4 - 16 - 8 Fidelity Guarantee Insurance

Fidelity guarantee insurance covers loss of money or stock caused by dishonest acts of employees, including losses resulting from the collusion of two or more employees.

4 - 16 - 9 Goods in Transit and Marine Insurance

Goods in transit and marine insurance cover all loss of or damage to the insured's goods by any single mode of transport (sea, air, or land) or a combination thereof. Marine insurance includes insurance of cargo and ships.

4 - 16 - 10 Employee Benefits Insurance

The employee benefits policy includes life and non-life cover for the policyholder's employees comprising:

(i) **Group health expenses insurance policy**: with health insurance being mandatory for non-Saudi workers under KSA law, the Company anticipates an increase in written insurance premiums for this product. The policy is also available for Saudi nationals. Health insurance policies need to be approved by the CCHI;

(ii) **Group life and accident insurance policies**: the Company selectively offers insurance to corporate customers providing cover against death or serious disablement of employees; and

(iii) **Group travel policy**: the group travel policy covers policyholder's employees travelling on business within or outside the KSA. The Company provides an annual travel policy to reimburse the policyholder in respect of unexpected contingencies, including: (i) accident; (ii) health expenses; and (iii) loss of baggage and personal effects.

4 - 16 - 11 Professional Indemnity and Directors and Officers Liability Insurance

The Company provides customers with protection against liabilities to third parties for professional advice and services offered in the ordinary course of their business along with legal liability to shareholders and third parties for company directors and employees operating in the normal course of their duties as company officers.

4 - 16 - 12 Travel Insurance

The travel insurance policy includes cover for death or serious injury, travel cancellation and delay, lost goods and luggage and personal liability tailored to the policyholders leisure needs with worldwide cover available twenty four (24) hours a day.

4 - 16 - 13 Health Insurance

The health insurance policy covers expenses for health treatment and hospitalization. Health insurance .policies have to be approved by the CCHI

Personal Insurance

4 - 16 - 14 Home Insurance

The Company offers packaged home insurance policies comprising insurance for buildings, contents and personal effects against loss or damage designed for both tenants and owners, as well as third party liability coverage.

4 - 16 - 15 Private Motor and Motorcycle Insurance

The private motor insurance policy comprises among other things: accidental collision or damage; fire, external explosion and lightning; burglary, theft and malicious acts; third party personal injury/death; and third party property damage.

4 - 16 - 16 Personal Accident Insurance

The personal accident insurance policy covers death or serious injury tailored to the policyholder's needs with worldwide cover available twenty four (24) hours a day.

4 - 16 - 17 Marine Craft Insurance

Marine craft insurance covers yachts and other small water-craft owned by individuals against loss or damage or liability to third parties.

4 - 16 - 18 Travel Insurance

The travel insurance policy includes cover for death or serious injury, travel cancellation and delay, lost goods and luggage and personal liability tailored to the policyholders leisure needs with worldwide cover available twenty four (24) hours a day.

4 - 16 - 19 Health Insurance and Health Care

The health insurance policy covers expenses for health treatment and hospitalization. Health insurance policies have to be approved by the CCHI.

The products mentioned in the above list are insurance products provided by the Company according to the size and type of market demand and in line with its strategy after obtaining the official license and approvals.

4 - 17 Main Insurance Functions

4 - 17 - 1 Underwriting and Reinsurance Function

The Technical Director has overall responsibility for this function. This function aims to:

- evaluate risks;
- price and issue new policies;
- renew, cancel, and endorse policies, as required;
- determine appropriate rates and policy premium calculations;
- ensure appropriate Reinsurance placements are made to comply with Company risk policies and regulatory requirements;
- ensure policies are issued accurately and reflect agreed terms and conditions with clients or intermediaries;
- maintain statistical and technical data allowing the Company to review its pricing and technical performance;
- appoint external expertise as required, to assist the quality of service provided to customers;
- ensure appropriate risks are surveyed in accordance with Company rules and requirements; and
- hold regular management and committee meetings to evaluate performance of the function.

4 - 17 - 2 Claims Function

The Claims Director has overall responsibility for this function. This function:

- registers claims;
- verifies claims against policy wording, terms, conditions and exclusions and rejects claims as required;
- inspects and evaluates valid claims;
- appoints external loss adjusters for major claims;
- opens claim files and applies prudent loss reserves;
- notifies reinsurers of any major claims;
- maintains accurate records of claim payments and reserve adjustments;
- maintains statistical and technical data allowing the Company to review its claims performance;
- ensures full recoveries from all third parties and reinsurers, as required; and
- holds regular management and committee meetings to evaluate performance of the function.

4 - 17 - 3 Finance Function

The CFO has overall responsibility for this function. This function:

- ensures the integrity of the financial information of the Company;
- ensures the adequacy of internal controls in the finance function;

- ensures timely reporting of information to meet internal and external regulatory requirements;
- manages cash flow, liquidity, solvency and liability;
- prepares annual budgets and monitors actual performance against the budget;
- coordinates the annual external audit;
- prepares tax returns and manages relationships with the tax authorities; and
- holds regular management and committee meetings to evaluate financial performance of the Company.

4 - 17 - 4 Investment and Asset Management Function

The CFO has overall responsibility for this function. This function:

- manages the investment policy as determined by the Investment Committee;
- ensures that the investment policy complies with the Insurance Regulations;
- appoints external consultants, as appropriate, to assist in the investment performance;
- sets investment benchmarks and ensures that investment returns meet the required performance; and
- holds regular management and committee meetings to evaluate performance of the function.

4 - 17 - 5 Sales and Marketing Function

The Sales & Marketing Director has overall responsibility for this function. This function:

- follows the Company's marketing strategy; and
- holds regular management and committee meetings to evaluate performance of the function.

4 - 17 - 6 Information Technology Function

The Information Technology & Operations Director has overall responsibility for this function. This function:

- oversees and coordinates the Company's IT activities;
- develops an IT strategy to meet the current and future requirements of the Company;
- ensures that the Company has all the appropriate hardware and software to process policy and claims administration as well as all other operational requirements;
- ensures that the Company is provided with all computer generated reports as required and complies with external regulatory requirements;
- manages the integrity of data with appropriate data protection and security measures;
- establishes regular IT backup and implements a disaster recovery process; and
- holds regular management and committee meetings to evaluate performance of the function.

4 - 17 - 7 Administrative Affairs and Human Resources Function

The HR Director has overall responsibility for this function. This function:

- establishes a HR strategy and policy;
- recruits, transfers sponsorship and terminates contracts as required;
- prepares monthly payroll, GOSI dues, employee deductions and end of service benefits;
- establishes employee pay scales;
- ensures that an employee performance management process is in place, with annual employee goals and objectives, regular reviews, and appraisals of performance;
- proposes promotions and bonus payments for employees, as appropriate;
- ensures that the Company complies with Saudisation requirements;
- works with SAMA and IOB to promote the active development and training needs of the Saudi employees;
- organises appropriate internal and external training to ensure all employees of the Company have the appropriate skills; and
- holds regular management and committee meetings to evaluate performance of the function.

4 - 17 - 8 Internal Audit Function

The Head of the Internal Audit Function has overall responsibility for this function. This function:

- independently reports to the Board through the Audit and Risk Committee;
- verifies and audits the implementation of internal policy and procedures established by the Company within the internal audit;
- verifies the implementation of all external and regulatory policies and procedures;
- supervises the implementation of Board resolutions;
- engages with the external auditor in the preparation and review of the annual external audit;
- ensures that all actions are taken by the Company in response to external auditors recommendations and requirements;
- prepares regular reports recommending actions to the management to improve processes and company procedures; and
- holds regular management and committee meetings to evaluate performance of the function.

4 - 17 - 9 Risk Management Function

The Head of the Risk Management Function has overall responsibility for this function. This function:

- ensures that the Company produces regular risk profiles with mitigating actions;
- promotes high standards of risk management;
- oversees a comprehensive risk management strategy;
- periodically reviews and updates the risk management strategy taking into account developments that are internal and external to the Company; and
- holds regular management and committee meetings to evaluate performance of the function.

4 - 17 - 10 Compliance Function

The Head of the Compliance Function has overall responsibility for this function. This function:

- reports to the Board Committees
- ensures that the appropriate Company governance framework is established to meet internal and external regulatory requirements; and
- maintains adequate records to demonstrate compliance with internal and external rules.

4 - 17 - 11 Research and Development

The Company does not have a research and development department but the Company does have services and products that can be developed to meet the needs of its customers.

4 - 18 Declaration

There has been no interruption in the Company's business that may affect or have a significant impact on its financial situation during the twelve months preceding the date of this Prospectus.

There has been no material adverse change in the financial or trading position of the Company in the three years preceding the date of this Prospectus and from the end of the period covered in the external auditor's report to the date of this Prospectus, although the Company sustained losses in 2011 and 2013, which had an effect on the solvency margin.

5. Corporate Organizational Structure

5 - 1 Board Members

The Board of the Company comprises of nine Directors, each having a term not exceeding three years. Three members of the Board are independent. Five Directors (the majority) are non-executive and one member is an Executive Director. The Board is appointed by the Ordinary General Assembly of ACIC.

The authorities of the Board are described in the Bylaws of the Company in accordance with the Implementing Regulations to which the Company is subject.

The composition of the Board is illustrated in the following table:

Table 5-1: ACIC Board Members

Name	Position	Nationality	Age	Representation	Membership Capacity
Ali Husein Alireza	Chairman	Saudi	53		Independent, Non-Executive
Ossama Abdul Bagi Bukhari	Board member	Saudi	51	Riyad Bank	Non-Executive
Mohammed Saud Al-Blehed	Board member	Saudi	52		Independent, Non-Executive
Khalid Abdul Aziz Al-Hamdan	Board member	Saudi	57		Independent, Non-Executive
Sean William Lowther	Board member	British	54	RSA ME	Non-Executive
Adel Ahmed Al-Sheikh	Board member	Saudi	54	Riyad Bank	Non-Executive
Khalid Jaafar Allagany	Managing Director and Board Member	Saudi	47	RSA ME	Executive
Christopher Phillip Dooley	Board member	British	54	RSA ME	Non-Executive
Andrew John Burke	Board member	British	45	RSA ME	Non-Executive

Source: Company

* Pursuant to the Companies Regulations, each of the board members must hold shares having a value of SAR 10,000, and 1,000 shares have been allocated to each Director indicated above by the Existing Shareholders in accordance with the Companies Regulations.

5 - 1 - 1 Resumes of Board Members

Ali Husein Alireza

Age: 53

Nationality: Saudi

Position: Chairman

Date of Appointment: 04/11/2009

Qualifications:

- Master's Degree in Business Administration from Pepperdine University in California, USA, in 1986.
- Bachelor's degree in Business Administration from the University of South California in California, USA, in 1983

Professional Experience:

- Managing Director of Haji Husein Alireza & Co Ltd, a Limited Liability company in the KSA engaged in automobile distribution in KSA since 1995

Other Positions:

- Member of the Board of Directors of SAMBA Financial Group, a public joint stock company in the KSA (one of the large banks in the Middle East) operating in the banking sector, from 2003 to the present
- Member of the Board of Arabian Petroleum Supply Co., a closed joint stock company engaged in blending and selling lubricating oil and fuel services in association with Mobile Exxon in Saudi Arabia and neighbouring countries, from 2008 to the present
- Chairman of the board of Gulf One Investment Bank BSC(c), a closed joint stock company in Bahrain operating in the field of financial and banking services, 2006 to the present
- Chairman, Al Wasilah Rent A Car Co. Ltd. KSA, a limited liability company (Hertz Rental and Leasing) operating in the automotive sector, from 2004 to the present
- Chairman, National Computer Systems Company, KSA Limited Liability Company (engaged in IT systems integration) and operating in the technology sector, from 2007 to the present

Osama Abdulbagi Bukhari

Age: 51

Nationality: Saudi

Position: Non-Executive Director

Date of Appointment: 04/11/2009

Qualification:

- Bachelor's degree in Economics and Accounting from King Abdulaziz University in Jeddah, KSA in 1987.

Professional Experience:

- Executive Vice President - Corporate Banking Division at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2013 to present
- Executive Vice President - Credit Policy Division at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2011 to 2013
- Senior Vice President – Regional Manager of Eastern Region in Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2007 to 2011
- Senior Vice President – Commercial Banking Group at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2004 to 2007
- Vice President – Head of Corporate Banking Group in Western Region at Riyad Bank, a public joint stock company in the Western Province of the KSA operating in the banking sector, from 2002 to 2004
- Senior Relationship Manager at Riyad Bank's Houston Agency (U.S.A.) operating in the banking sector, from 1998 to 2002

Other Positions:

- Board Member - AJIL Financial Services Company

Mohammed Saud Al-Blehed

Age: 52

Nationality: Saudi

Position: Independent Non-Executive Director

Date of Appointment: 04/11/2009

Qualification:

- PhD in Petroleum Engineering from Southern California University, USA, in 1987
- Master's degree in Petroleum Engineering from Southern California University, USA, in 1982
- Bachelor's degree in Petrol Engineering from King Saud University, Riyadh, KSA, in 1978

Professional Experience:

- Vice-Chairman and Chief Executive Officer of Seder Group, a Limited Liability Company (engaged in construction and facility management services) since 1989

Other Positions: None

Khalid Abdulaziz Al Hamdan

Age: 57

Nationality: Saudi

Position: Independent Non-Executive Director

Date of Appointment: 04/11/2009

Qualification:

- Master of Business Administration in Finance & Accounting from the King Fahd University of Petroleum & Minerals, Dhahran, KSA, 1993
- Bachelor in Civil Engineering from the King Fahd University of Petroleum & Minerals, Dhahran, KSA, 1979

Professional Experience:

- Managing Director & Owner of Al Hamdan Consulting Office, a limited liability company providing architectural, engineering, planning and Project Management services, from 1984 to present
- Managing Director and Partner in Pan Gulf Holding Company, a limited liability company engaged in providing services to oil and construction sectors, from 1979 to present
- Managing Director & Partner Al Sanbok Trading Company, a limited liability company providing premium food services and operating fine dining restaurants, from 1989 to present
- Director & Partner General Automotive Services Limited, a limited liability Company engaged in KSA-wide distribution of tyres, from 2003 to present

Other Positions:

- Director Pan Gulf Technologies, a limited liability company engaged in providing quality solutions for complex structural steel design and detailing, from 2004 to present
- Board Member, Sun Ace Company Limited, a limited liability company engaged in supply of chemical additives and specialty chemical for the polymer and plastic industries, from 2000 to present

Sean William Lowther

Age: 54

Nationality: British

Position: Non-Executive Director

Date of Appointment: 04/11/2009

Qualification:

- Master's degree in Mathematics from Cambridge University, UK in 1982
- Associate of the Institute of Chartered Accountants in England and Wales, UK, 1985

Professional Experience:

- Chief Financial Officer of RSA Group plc, a public joint stock company in the UK operating in the insurance sector, from 2014 to present
- Chief Financial Officer of Emerging Markets at RSA Group, a public joint stock company in the UK operating in the insurance sector, from 2007 to 2014
- Chief Financial officer, Link Financial Outsourcing Ltd, a limited liability company in the UK operating in the financial services sector, from 2006 to 2007
- Chief Financial Officer of AXA Sun Life plc, a public joint stock company in the UK operating in the insurance sector, from 2000 to 2006
- Chief Financial Officer of GE Capital Bank, a limited liability company in the UK operating in the banking sector, from 1997 to 2000

Other Positions:

- Board Member of Royal & Sun Alliance Insurance (Middle East) a closed joint stock company in Bahrain operating in the insurance sector, from 2010 to present

Adel Bin Ahmed Al-Sheikh

Age: 54

Nationality: Saudi

Position: Non-Executive Director

Date of Appointment: 04/11/2009

Qualification:

- Bachelor's degree in Economics from Portland State University in Portland, Oregon, USA, in 1983

Professional Experience:

A career banker, with around 29 years of diverse banking experience.

- Executive Vice President Retail Banking Division of Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2013 to present
- Executive Vice President Branch Banking Division of Riyad Bank, , a public joint stock company in the KSA operating in the banking sector, from 2006 to 2013
- Regional Corporate Manager, Riyad Bank,, a public joint stock company in the KSA operating in the banking sector, from 1994 to 2006
- Operations Manager, Private Banking, Riyad Bank, , a public joint stock company in the KSA operating in the banking sector, from 1993 to 1994

Other Positions:

- Director, Royal & Sun Alliance Insurance (Middle East), a closed joint stock company in Bahrain operating in the insurance sector, from 2009 to present

Khalid Jaafar Allagany

Age: 47

Nationality: Saudi

Position: Managing Director

Date of Appointment: 02/10/2012

Qualification:

- Bachelors of Business Administration from Almeda University, U.S.A, in 2002

Professional Experience:

- Managing Director and CEO of Al Alamiya for Cooperative Insurance Company, a Saudi public joint stock company operating in the insurance sector, from 2012 to present
- Deputy CEO of Al Alamiya for Cooperative Insurance Company, a public joint stock company in the KSA operating in the insurance sector, from 2012 to end of 2012
- Managing Director of Qeema Investments, KSA, a limited liability company in the UAE operating in the investment sector, from 2011 to 2012
- Chief Executive Officer of Al-Ahli Takaful Company, a public joint stock company in the KSA operating in the insurance sector, from 2007 to 2011
- Insurance Business Group Head of the National Commercial Bank, a closed joint stock company in the KSA operating in the banking sector, from 2004 to 2007
- Head of Insurance & Bancassurance of Saudi Hollandi Bank, a public joint stock company in the KSA operating in the banking sector, from 2001 to 2004
- Head of Insurance of Banque Saudi Fransi, a public joint stock company in the KSA operating in the banking sector, from 1995 to 2001
- Underwriting Officer of The National Company for Cooperative Insurance, a public joint stock company in the KSA operating in the insurance sector, from 1993 to 1995

Other Positions: None

Christopher Phillip Dooley

Age: 54

Nationality: British

Position: Non-Executive Director

Date of Appointment: 06/03/2013

Qualification:

- Diplomat in Direct Marketing from the UK Institute of Direct Marketing in 1999
- Associate Member of the Chartered Insurance Institute, UK in 1986
- Bachelor of Arts (Honors) degree from the Compton Business School, UK in 1982

Professional Experience:

- CEO of the UAE and Bahrain Operations of Royal & Sun Alliance Insurance (Middle East), a closed joint stock company in Bahrain operating in the insurance sector, from 2011 to present
- CEO of RSA Insurance Hong Kong, a branch of Royal and Sun Alliance Insurance Company operating in the insurance sector, from 2010 to 2011
- Director and Chief Executive Officer Insurance Australia Group (Thailand) , a limited liability company operating in the insurance sector, from 2005 to 2010
- Director & Chief Executive Officer, Royal & Sun Alliance Insurance (Thailand), a limited liability company operating in the insurance sector, from 2003 to 2005
- Director Corporate Partners, Customers & People, Asia , Royal & Sun Alliance Insurance Asia Regional Team, Singapore, from 1999 to 2002

- Regional Manager, Asia (Brokers & Customers), Royal & Sun Alliance Insurance Global Risks Asia, a closed joint stock company in Singapore, Asia, operating in the insurance sector, from 1997 to 1999
- Development Manager, Asia, Royal Insurance International Hong Kong, a branch of Royal and Sun Alliance Insurance Company operating in the insurance sector, from 1995 to 1997

Other Positions:

- Board Member of Royal & Sun Alliance Insurance (Middle East), a closed joint stock company in Bahrain operating in the insurance sector, since 2011 and Managing Director since 2012.
- Board member of Al Ahlia Insurance Company, a closed Omani joint stock company in Oman operating in the insurance sector, from 2011 to present

Andrew John Burke

Age: 45

Nationality: British

Position: Non-Executive Director

Date of Appointment: 29/8/2012

Qualification:

- Bachelor's degree in Business Studies from University of Plymouth, UK, in 1992

Professional Experience:

- CEO of Emerging Markets at RSA Group, UK, 2014 to present
- CEO of Central & Eastern Europe & Middle East Region at RSA Group, from 2012 to 2014
- CEO of Central & Eastern Europe at RSA Group, UK, from 2008 to 2012.
- Strategic Partnership Director in the broker division of RSA Group, UK, a public joint stock company operating in the insurance sector, from 2007 to 2008
- HR Director, RSA Group, UK, from 2003 to 2007
- Head of HR Operations, AXA Sun Life, a public joint stock company in the UK operating in the insurance sector, from 2001 to 2003
- Consultant at Hay Management Consultants, a limited liability company in the UK, from 1996 to 2001

Other Positions:

- Board Member of Royal & Sun Alliance Insurance (Middle East), a closed joint stock company in Bahrain operating in the insurance sector, from 2012 to present
- Chairman of Supervisory Board at Direct Pojistovna in the Czech Republic, a closed joint stock company operating in the insurance sector, from 2009 to present
- Chairman of Supervisory Board at Lietuvos Draudimas Lithuania, a public joint stock company operating in the insurance sector, from 2012 to present

5 - 2 Secretary of the Board

Prasanna Venkatesh Muthukrishnan

Age: 54

Nationality: Indian

Position: Secretary of the Board

Date of Appointment: 14/4/2010

Qualification:

- Associate of the Institute of Chartered Accountants of India - 1984
- Bachelor of Commerce degree from the University of Madras, India, in 1980

Professional Experience:

- Chief Financial Officer & Company Secretary Royal & Sun Alliance Insurance (Middle East), a closed joint stock company in Bahrain operating in the insurance sector, 2013 to present. (The Secretary of the Board is not a full time Company employee and works with RSA in Bahrain under a legal work contract and has legal residence there.)
- Company Secretary Royal & Sun Alliance Insurance (Middle East), a closed joint stock company in Bahrain operating in the insurance sector, from 2010 to 2013
- Chief Information Officer, RSA Insurance Asia & Middle East region, from 2005 to 2010.
- Chief Financial Officer Royal & Sun Alliance Insurance (Middle East), a closed joint stock company in Bahrain operating in the insurance sector, from 1999 to 2005
- Finance Manager, Al Alamiya Insurance Company Ltd operating, RSA ME agent in the KSA, from 1996 to 1999

Other Positions:

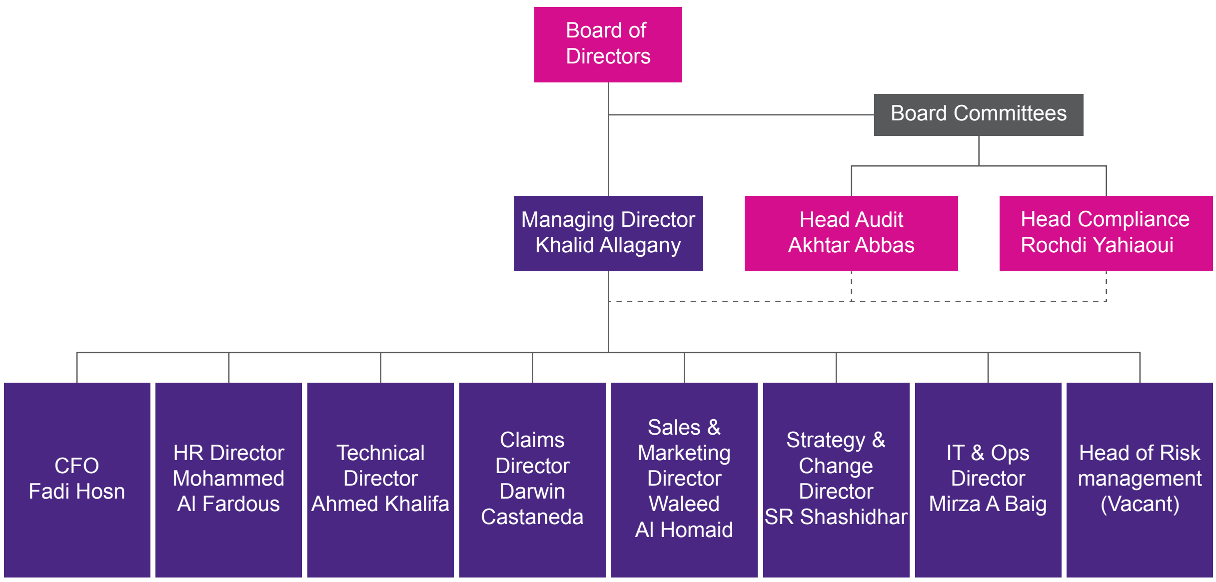
- Company Secretary for Al Ahlia Insurance Company, a closed joint stock company operating in the insurance sector in Oman, from 2011 to present

5 - 3 Senior Management

The Company is managed by a highly experienced team with the necessary knowledge and skills to manage the Company's operations. The Company's operations can be divided into eight departments all of which report to the Managing Director.

The following chart illustrates the Company's organizational structure and key departments and presents the composition of the Company's key management team:

Exhibit 5-1: ACIC Organizational Structure



Source: The Company

Table 5-2: Senior Executives of the Company

Name	Position	Date of Appointment	Nationality	Age
Khalid Jaafar Allagany	Managing Director and Board Member	12/26/2012	Saudi	47
Fadi Abou Hosn	Chief Financial Officer	02/20/2013	Canadian	43
Mohammed Abdulrahman Al Fardous	HR Director	08/25/2013	Saudi	53
Ahmed Khalifa Hassan	Executive Technical Director	07/23/2012	Egyptian	42
Darwin Ernesto Castaneda	Executive Claims Director	02/20/2013	Columbian	43
Waleed Ahmad Al Homaid	Executive Sales & Marketing Director	06/02/2012	Saudi	34
S R Shashidhar	Executive Strategy & Change Director	02/20/2013	Indian	46
Mirza Ansari Baig	Executive IT & Ops Director	18/02/2012*	Indian	45
Mohammed Rochdi Yahiaoui	Head of Compliance	05/22/2010	Algerian	35
Akhtar Abdulghafour Abbas	Head Internal Audit	09/26/2012	Pakistani	34
Vacant	Head of Risk Management			

Source: The Company

* Mirza Baig has been working for ACS since 14/11/1999. As a part of the asset sale agreement entered into by the Company and ACS, an agreement was made to transfer the employees of ACS to the Company (see section 12.3.4).

Resumes of Senior Management

Khalid Jaafar Allagany

The CV of Mr. Khalid Allagany is provided in Section 5.1.1 above.

Fadi Aboul Hosn

Age: 43

Nationality: Canadian

Position: CFO

Qualification:

- Master of Business Administration from University of Strathclyde, UK, 2003
- Bachelor of science in Business Administration with an option in Accounting, USA, 1994

Professional Experience:

- CFO of ACIC, a public joint stock company in the KSA operating in the insurance sector, since 2013 to present
- Director of Finance and Administration at Wehbe Insurance Services, an Emirati limited liability company operating in the insurance sector, from 2004 to 2011
- Group Financial Controller at Get Group\Global Information Technology, an Emirati limited liability company operating in the IT sector, from 1999 to 2004
- Business and IT Consultant at High Tech Computer Associates , a public partnership operating in the IT sector in the USA, from 1996 to 1999
- Accounting and Finance Manager at Royal Fortune Incorporated, a public partnership operating in the IT sector in the USA, from 1990 to 1996

Mohammed Abdulrahman Al Fardous

Age: 53

Nationality: Saudi

Position: Human Resources Director

Qualification:

- Master Degree in Human Resources Management from Ashtron University, USA, 2013
- Bachelor of Business Administration of Human Resources Management from Western Valley Central University, USA, 2009
- Certified in Human Resources Management by the International Academy of Financial Management, UAE, 2011.
- English Diploma From the Defence Language Centre , USA, 1977

Professional Experience:

- Mohammed has more than 25 years of HR experience
- Human Resources Director of ACIC, a public joint stock company in the KSA operating in the insurance sector, since 2013
- HR and Admin Director at Al-Ahlia for Cooperative Insurance, a Saudi joint stock company in operating in the insurance sector, from 2008 to 2013.
- Human Resources and Admin Director at Otaishan Consultant, a limited liability company operating in the engineering consulting sector in the KSA, from 2006 to 2008.
- Group Personal Manager at Al Issa Group (GM), a limited liability in the KSA, 2005 to 2006.
- Human resources and Admin Director at Advance Telecom Company, a limited liability company in the KSA, from 2002 to 2005.
- Group Manager Administration at L'azurde Group, a closed joint stock company operating in the gemstone industries in the KSA, from 2000 to 2002.
- Human Resources Manager at AL-Kholi Group of Companies, a limited liability company working in the investment sector in the KSA, from 1998 to 2000.
- Personal Admin. Manager at King Khalid Eye Specialist Hospital in the KSA, from 1988 to 1998.

Ahmed Khalifa Hassan

Age: 42

Nationality: Egyptian

Position: Technical Director

Qualification:

- Bachelor of Commerce from Cairo University, Egypt, 1993

Professional Experience:

- Ahmed has 19 years of experience in the insurance sector
- Executive Technical Director of ACIC, a public joint stock company in the KSA operating in the insurance sector, from 2012 to present
- Technical Manager at Allianz Insurance Company, a joint stock company working in the insurance sector in Egypt, from 2012 to the end of 2012
- Assistant General Manager (Non Marine Lines) at Arab Orient Insurance Company, a limited liability company operating in the insurance sector in Egypt, from 2011 to the end of 2011
- Vice President, Technical at Ahlia Cooperative Insurance, a public joint stock company in the KSA operating in the insurance sector, from 2009 to 2011
- Assistant Vice president at Marsh, a limited liability company working in the insurance sector in Egypt, from 2006 to 2009
- Energy Profit Centre Manager at AIG Insurance Company, a joint stock company operating in the insurance sector in Egypt, from 2004 to 2006
- Engineering and Casualty Senior Underwriter at MISR Insurance Company, a government company operating in insurance in Egypt, from 1995 to 2004

Darwin Ernesto Castaneda

Age: 34

Nationality: Colombian

Position: Executive Claims Director

Qualification:

- Baccalaureate in Financial Engineering from University of Colombia, Colombia, 2005
- Master's Degree in Organizational Control Systems and Management from University of Colombia, Colombia, 2009

Professional Experience:

- Claims Director of ACIC, a public joint stock company in the KSA operating in the insurance sector, from 2013 to present
- Claims Manager at RSA Insurance Antilles N.V., a limited liability company operating in the insurance sector in Colombia, from 2010 to 2012
- Corporate Risk and PMO Coordinator at RSA Insurance, a limited liability company working in the insurance sector in Colombia, from 2007 to 2010
- National Claims Assistant at RSA Insurance, a limited liability company working in the insurance sector in Colombia, from 2005 to 2007
- Different roles in the Motor Claims Centre at RSA Insurance, a limited liability company working in the insurance sector in Colombia, from 1999 to 2005

Waleed Ahmad Alhomaid

Age: 34

Nationality: Saudi

Position: Marketing & Sales Director

Qualification:

- Bachelor of Business Administration from American University of London, London, in 2006
- Diploma of Professional Marketing from the Chamber of Commerce and Industry, KSA, 2003
- Diploma of Insurance from the Institute of Public Administration, KSA, 2002

Professional Experience:

- Waleed has over thirteen years of experience in the insurance sector
- Marketing & Sales Director of ACIC, a public joint stock company in the KSA operating in the insurance sector, since 2012
- Sales Manager and then Regional Manager at SANAD Cooperative Insurance & Reinsurance, a public joint stock company in the KSA operating in the insurance sector, from 2008 to 2012

S.R Shashidhar

Age: 46

Nationality: Indian

Position: Strategy and Change Director

Qualification:

- Master of Science in Materials Science and Engineering from Washington State University, USA, 1992
- Bachelor's Degree in Technology from Indian Institute of Technology Bombay, India, 1990

Professional Experience:

- Strategy and Change Director of ACIC, a public joint stock company in the KSA operating in the insurance sector, from 2013 to present
- Royal Sundaram Alliance Insurance Company in India, a limited liability company operating in the insurance sector in India, from 2007 to 2012
- Dresser-Rand India, a limited liability company operating in the gas sector in India, 2007
- Athi River Steel Plant, a limited liability company operating in the steel sector in Kenya, from 2005 to 2006
- Global Gases, a limited liability company operating in the gas sector in Kenya, from 2003 to 2005
- Praxair, a limited liability company operating in the gas sector in India, from 1996 to 2000
- Tata Refractories, a limited liability company operating in the industrial sector in India, from 1996 to 1997

Mirza Ansar Baig

Age: 45

Nationality: Indian

Position: Executive IT & Operations Director

Qualification:

- Bachelor of Commerce degree from Osmania University, Hyderabad, India, in 1992
- Certified ITIL.
- Certified Software Engineering (DISM) from Aptech Computer Education
- Certificate in Oracle and Developer 2000 (Forms 4.5 & Report 2.5) from Software Technology Group International Ltd.
- Certificate in Database Administration from Wilshire Software Technology

Professional Experience:

- Mirza has over seventeen years of IT experience
- Executive IT & Operations Director of ACIC, a public joint stock company in the KSA operating in the insurance sector, from 2012 to present
- IT Manager at ACIC from 2005 to 2012 and Business System Analyst at ACIC, from 1999 to 2005
- Business System Analyst at Rane Group of Companies Limited, a limited liability company operating in the consulting sector, from 1994 to 1999

Mohammed Rochdi Yahiaoui

Age: 35

Nationality: Algerian

Position: Head of Compliance

Qualification:

- Bachelor of Economics degree from Blida University, Algeria, in 2002

Professional Experience:

- Head of Compliance of ACIC, a public joint stock company in the KSA operating in the insurance sector, from 2012 to present
- Head of Risk & Compliance – KSA & Bahrain of RSA Group, a public joint stock company operating in the insurance sector, from 2010 to 2012
- Risk Compliance Senior Officer at ACIC, 2010
- Operational Risk Unit Manager at Bank Al-Bilad, a public joint stock company in the KSA operating in the banking sector, from 2009 to 2010
- Operational Risk Manager at Arab Bank Corporation in Algeria, a closed joint stock company, from 2008 to 2009
- Compliance Section Head & Operational Risk Management Coordination Officer at Arab Bank Corporation in Algeria, a closed joint stock company, from 2007 to 2008

- Internal Control Section head in Arab Bank Corporation in Algeria, a closed joint stock company, from 2006 to 2007
- Internal Auditor at Banque de Developpement Local in Algeria, a closed joint stock company, from 2003 to 2006

Akhtar Abdulghafour Abbas

Age: 35

Nationality: Pakistani

Position: Head of Internal Audit

Qualification:

- Bachelor of Commerce degree from University of the Punjab, Pakistan, in 1999
- Associate of the Institute of Chartered Accountants of Pakistan since 2006

Professional Experience:

- Head of Internal Audit of ACIC, a public joint stock company in the KSA operating in the insurance sector, from 2012 to present
- Financial Controller of Service Sales Corporation (Private) Limited, a limited liability company operating in the retail sector in Pakistan, from 2010 to 2012
- Group Head – Internal Audit of IGI Financial Services, a limited liability company operating in the financial services sector in Pakistan, from 2006 to 2010
- Member of firm of Price Waterhouse Coopers (PwC), a limited liability company operating in the field of financial services in Pakistan, from 2002 to 2006

5 - 4 Administrative and Support Departments

The Company has a number of administrative departments that support its various business activities. Following is a brief description of the activities of the main departments.

5 - 4 - 1 Administrative Affairs and Human Resources Department

- The Human Resources Department has a number of functions and duties including: Recruitment , Staffing Employment
- Training and Development
- Benefits and Compensation Management including payroll and wages
- Develop and apply the strategy related to employee retention and qualifications
- General management of Employee Relations and Labour Relations
- Work Safety and Risk Management Related to the Resolution of Moral and other Conflicts among Employees

5 - 4 - 2 Information Technology and Operations Department

The Company recognizes the importance of information technology and operations as a critical element to the insurance business, and as such the Information Technology & Operations Department seeks to apply best practice standards in the areas of systems security, protection of computer hardware, software, information media, IT & communications software and operational excellence.

The department manages and is responsible for the following:

- Data confidentiality, security & integrity
- Systems & applications integrity, maintenance and uptime
- Systems & applications development
- Database management
- Network and connectivity management
- Desktop support management
- IT infrastructure support and management
- Issuance of insurance policies

- Managing endorsements and cancellations to policies
- Management of policy documentation
- Repository for all third party contracts
- Managing the Call Center"

5 - 4 - 3 Finance Function

For more details about this Function, please see section 4.17.3 – “Finance Function”.

5 - 4 - 4 Internal Audit Function

For more details about this Function, please see section 4.17.8 – “Internal Audit Function”.

5 - 4 - 5 Risk Management Function

For more details about this Function, please see section 4.17.9 – “Risk Management Function”.

5 - 4 - 6 Compliance Function

For more details about this Function, please see section 4.17.10 – “Compliance Function”.

5 - 5 Corporate Governance

The Company adheres to the standards of corporate governance in line with the Corporate Governance Regulations issued by the CMA Resolution No. 1-212-2006 dated 21/10/1427H (corresponding to 12/11/2006G) and corporate governance requirements as set out in the Insurance Law and Regulations. Effective corporate governance of the Company is essential to its success. It ensures that the Board of Directors acts in the Shareholders’ best interests, and gives a clear and fair representation of the Company’s financial condition and its operating results.

The Company has laid down a clear policy on the division of responsibilities between the Board of Directors and the executive management in line with best international practices and the requirements of the Corporate Governance Regulations. Three members of the Board of Directors are independent. The Company’s senior executive management, reporting to the Managing Director, is constituted of a team having the experience and competence required and sufficient executive authority to manage the Company effectively within the directives of the Board.

The Company has established appropriate internal regulations and control procedures along with an internal audit function to carry out independent audits within the Company. The Internal Auditor reports directly to the Audit Committee.

The external auditors of the Company provide the Board of Directors with annual reports in addition to the annual management letter, if applicable. They provide no other services outside this context.

The Company adheres to the method of cumulative voting when voting for the appointment of members of the Board of Directors at the General Assembly.

A summary of the Company’s corporate governance framework is set out below:

5 - 5 - 1 The General Assembly

The Shareholders shall be notified of all major developments in the Company through communications and reports covering matters such as the financial performance and their approvals obtained on matters that fall outside of the authority of the Board of Directors, in accordance with the Company’s By-laws.

5 - 5 - 2 Board of Directors

The Board maintains overall responsibility for the management of the Company. This includes oversight of the Company’s operations and responsibility for ensuring that amongst other things, there is a competent and prudent management team, a sound planning process, an adequate system of internal control, adequate accounting and other records, ensuring application of appropriate statutory and regulatory obligations, adequate management information to make informed decisions, an embedded set of business principles and a robust process for monitoring progress against strategic objectives and plans put in place.

5 - 5 - 3 Chairman and Managing Director

The division of responsibilities between the Chairman and the Managing Director are clearly defined by the Board and are in compliance with applicable laws and regulations in the Kingdom of Saudi Arabia. The Chairman has no involvement in the day-to-day management of the Company or its business, whereas the Managing Director has direct responsibility for the management of the Company.

5 - 5 - 4 Achieving Balance within the Board

The majority of the members of the Board are non-executive, with three of them being independent, so as to provide objectivity and balance to the decision making process by the Board.

5 - 6 Board Committees

The Board has the following Committees:

1. Executive Committee;
2. Disclosure Committee;
3. Audit Committee;
4. Investment Committee;
5. Nomination & Remuneration Committee; and
6. Risk Committee.

The composition, organisation and responsibilities of the above committees are determined by the Board. The Board approves the Terms of Reference of each committee, which set out the objectives, memberships, powers and responsibilities of the committees. These Terms of Reference or any amendments thereto are further presented to the Ordinary General Assembly for approval.

5 - 6 - 1 Executive Committee

The Board has formed an Executive Committee, and the terms of reference, Committee membership, membership duration and the Committee's duties and responsibilities were approved by the shareholders at the General Assembly meeting held on 18/5/2011G.

The Executive Committee is comprised of the following members:

Table 5-3: Executive Committee Members

Name	Position
Khalid Jaafar Allagany	Chairman
Fadi Aboul Hosn	Member
Ahmed Khalifa Hassan	Member
SR Shashidhar	Member
Waleed Ahmad Al Homaid	Member

Source: The Company

Please refer to section 5.3 for a detailed resume of the members of the Executive Committee.

Appointment of the Executive Committee members is determined by the Board subject to a maximum of 3 years. The Chief Executive Officer acts as chairman of the Committee. In the absence of the chairman, the remaining members elect one of themselves to chair the meeting. The Company Secretary or his nominee acts as the secretary of the Committee.

The principle functions and responsibilities of the Executive Committee are:

- Recommending objectives and strategy for the Company in the development of its business, having regard to the interests of its shareholders, customers, employees and other stakeholders;

- Agreeing on policy directives for business divisions based on approved Company strategy;
- The successful execution of strategy;
- Presentation of the Company's budgets and business plan to the Board and, following their adoption, the implementation of the budgets and business plan;
- Developing and reviewing business division objectives and budgets to ensure that they fall within the agreed Company targets;
- Ensuring appropriate levels of authority are delegated to senior management throughout the Company;
- Reviewing the organisational structure of the Company and making recommendations for change;
- Ensuring the control, co-ordination and monitoring within the Company of risk and internal controls;
- Ensuring compliance with instructions and regulations relevant to the Company's business;
- Safeguarding the integrity of management information and financial reporting systems;
- Identifying and executing new business opportunities outside the current core activities, including opportunities based on geographic diversification;
- Examining all trade investments, divestments and major capital expenditure proposals and presenting suitable recommendations to the Board of those which are material either in nature or cost;
- Approving all strategic or material alliances and agreements proposed to the company;
- Optimising the allocation and utilization of the Company's resources;
- Ensuring the provision of adequate management development and sound succession and recommendation of appropriate remuneration structures within business divisions;
- Developing and implementing Company policies;
- Ensuring the active liaison, co-ordination and co-operation between all of the Company's business divisions.

The Executive Committee shall make such recommendations to the Board as it deems appropriate on any area within its remit as deemed suitable to achieve the Company's objectives.

The Executive Committee shall review its own performance, constitution and terms of reference annually at the least to ensure it is operating at the best possible effectiveness and recommend any changes it considers necessary to the Board for approval.

The Committee is authorised to obtain any information it requires from any employee of the Company in order to enable it to perform its duties and is also authorised to obtain, on behalf of the Company, outside legal or professional advice on any matters within its responsibilities.

5 - 6 - 2 Disclosure Committee

The Board has formed a Disclosure Committee, and the terms of reference and responsibilities concerning the Disclosure Committee, Committee membership and membership duration were approved by the shareholders at the General Assembly meeting held on 18/5/2011G.

The Disclosure Committee is comprised of the following members:

Table 5-4: Disclosure Committee Members

Name	Position
Khalid Jaafar Allagany	Chairman
Fadi Aboul Hosn	Member
Sean William Lowther	Member

Source: The Company

Please refer to Section 5.1.1 for detailed resumes of Khalid Jaafar Allagany and Sean William Lowther and Section 5.3 for the detailed resume of Fadi Aboul Hosn.

The Committee is responsible, amongst other things, for ensuring the Company's compliance with all legal requirements and instructions relating to announcements, notifications, submissions, filings and approvals arising from its listed status.

The Company Secretary or his nominee acts as the secretary of the Disclosure Committee. Said Committee meets as frequently as circumstances dictate to (a) ensure the accuracy and completeness of the disclosures made to Tadawul and such other disclosures as the Chief Executive Officer and Chief Financial Officer determine and (b) determine the disclosure controls and limits thereof and review and amend prospective disclosures if necessary, with at least one Disclosure Committee meeting being held prior to the publication of any of the Company's financial Statements and annual reports.

There may be urgent or emergency occasions on which meetings are held by electronic means after notification of all members, for example when an announcement needs to be approved for the market. On such occasions any member of the Committee may participate in the meeting by telephone or other electronic means so as to quickly and effectively meet the Company's objectives. The meeting is held when all participants are able to participate and discuss by being both seen and heard without any technical disruption. Such may take place by a series of telephone calls with the chairman of the Committee, or, in rare occasions, by fax or email.

The Disclosure Committee is seeking to obtain that information required to be disclosed by all of the Company's divisions, whether pursuant to accounting or regulatory requirements or listing requirements, when and as necessary, and that it is recorded, processed, summarised and reported within the time periods specified.

The Disclosure Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties. It also has the authority to obtain, at the Company's expense, outside legal or professional advice on any matters within its terms of reference and responsibilities.

5 - 6 - 3 Audit Committee

The Board has formed an Audit Committee, and the terms of reference and responsibilities concerning the Audit Committee, Committee membership and membership duration of membership were approved by the shareholders at the General Assembly meeting held on 18/5/2011G.

The Audit Committee is responsible for monitoring the integrity of the Company's financial Statements and the effectiveness of the external audit process and internal audit functions. It also has a responsibility for reviewing at the overall level of responsibilities of the risk management functions and assessing the Company's processes relating to its risk and internal control systems.

The Audit Committee is comprised of the following members:

Table 5-5: Audit Committee Members

Name	Position
Sean William Lowther	Chairman
Mohammed Ali Al-Qureashah	Member
Vacant*	Member

Source: The Company

* Philip Michael Smith (a member of the Company's Audit Committee) resigned last September. The Company has asked SAMA to appoint an alternate member and this request is still under SAMA review.

The resume of Mohammed Ali Al-Qureashah is provided below whereas the resume of Sean William Lowther is provided in Section 5.1.1 above.

Mohammed Ali Al-Qureashah

Age: 40

Nationality: Saudi

Position: Member of the Audit Committee

Date of Appointment: 21/12/2009

Qualification:

- Bachelor's degree in Accounting from King Abdulaziz University in Jeddah, KSA, in 1997.

Professional Experience:

A career banker, with over 16 years in banking predominantly in the area of credit and risk with capacities including credit and operational risk management, good understanding of client expectations and ability to provide solutions that meet client needs while managing and dealing with risk. He has extensive and comprehensive experience in credit application review, deal execution, structuring, negotiation, monitoring and finding the related solutions.

Mr Al-Qureashah has several years of experience in leadership positions – and he is capable and skilled at recruiting, training and retaining talent and credit functions in general.

- Senior Executive Vice President - Finance Division at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2014 to present.
- Senior Executive Vice President – lending portfolio services in Credit Division at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2011 to 2014.
- Vice President – Head of Remedial Management at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2007 to 2011.
- Assistant Vice President – Head of Credit Control & Follow-up Department at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2006 to 2007
- Assistant Credit Manager – Credit Review & Approval Department in the Credit Division at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2004 to 2006
- Credit Officer- Credit Review & Approval in the Credit Division at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 2001 to 2004.
- Assistant Credit Officer – Central Region in the Credit Division at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, from 1998 to 2001.
- Trainee in the training program at Riyad Bank, a public joint stock company in the KSA operating in the banking sector, 1998 .

The Audit Committee includes three members, the majority of whom are not members of the board according to the instruction of SAMA, MOCI and the CMA. Members of the Committee have been appointed by the Board on the recommendation of the Nomination & Remuneration Committee in consultation with the chairman of the Audit Committee.

Individuals such as the Managing Director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function are invited to attend all or any part of the Committee meetings as and when appropriate. The external auditors are invited to attend meetings of the Committee on a regular basis. The Company Secretary or his nominee acts as the secretary of the Committee.

The Committee meets a minimum of 4 times per annum in the annual reporting and audit cycles and otherwise as required.

The chairman of the Committee attends the Annual General Assembly meeting and responds to shareholder questions on the Committee's activities.

The Committee carries out a number of duties, including those shown below.

Internal Control

The Audit Committee reviews the effectiveness of the Company's control systems related to the preparation of financial reports, internal controls and risk management systems. The Committee also reviews the Company's annual report on its systems of internal controls prior to endorsement by the Board.

Internal Audit

The Committee approves the appointment and removal of the head of the internal audit function. It considers and approves the terms of reference of the internal audit function, reviews the internal audit programmes and costs and ensures the internal audit function is independent, adequately resourced and performing the responsibilities entrusted to it by the Company.

External Audit

The Committee makes recommendations to the Board, that are put to shareholders for approval at the Annual General Assembly meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee oversees the selection process for new auditors and if an auditor resigns the Committee investigates the reasons for this and decides whether any action is required. The Committee is responsible for overseeing the relationship with the external auditors and also for monitoring their performance.

Financial Reporting

The Committee verifies the consistency of the Company's adherence to accounting policies on a year on year basis. It provides the Board with assurance on the effectiveness of the Company's internal procedures for adherence to disclosure and presentation standards. The Committee reviews and challenges where necessary the actions and decisions of the management, including its annual financial Statements, preliminary financial results announcements and any other formal announcements relating to its financial performance, reviewing issues and judgements related to the issuance and contents of financial reports.

The Committee also reviews summary financial Statements, all information presented to official and control authorities and any financial information contained in other documents, such as Company announcements to shareholders that might affect the price of shares in trading. The Audit Committee takes into account the recommendations of the Disclosure Committee before submission of its recommendations to the Board for approval and before verification by the external auditors.

Reporting Responsibilities

The Committee reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. The Committee compiles a statement to shareholders on its activities to be included in the Company's annual report.

The Committee is authorised to obtain any information it deems necessary from an employee of the Company in order to perform its duties and to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference.

5 - 6 - 4 Investment Committee

The Board has formed an Investment Committee, and the terms of reference and responsibilities concerning the Investment Committee, Committee membership and membership duration were approved by the shareholders at the General Assembly meeting held on 18/05/2011G.

The Investment Committee is comprised of:

Table 5-6: Investment Committee Members

Name	Position
Khalid Allagany	Chairman
Fadi Aboul Hosn	Member
Adel Ahmad Al Sheikh	Member

Source: The Company

Detailed resumes of Khalid Allagany and Fadi Aboul Hosn are provided in section 5.3 above whereas the resume of Adel Ahmad Al Shaikh is provided in section 5.1.1 above.

The Investment Committee consists of three members and the secretary of the Board or his nominee acts as the secretary of the Investment Committee. Prasanna Venkatesh Muthukrishnan has been appointed Secretary of the Investment Committee.

The responsibilities of the Committee include managing all aspects of the investment assets held by the Company in line with the applicable laws of the Kingdom of Saudi Arabia. This Committee ensures that the investment portfolio is matched with the plans in place, within the set limits and regulations and instructions in force.

The Committee has the powers to delegate the authority vested in it to one or more individuals or to appoint an external Asset Manager with prior approval of the Board, to manage the investment assets of the Company on behalf of the Committee, including providing maximum dealing limits to each authorized individual, which are monitored by the Committee.

Maximum Investment Limit

Any transaction submitted to the Investment Committee for approval must be referred to the Board if it exceeds in aggregate the following limits (limits apply to acquisitions only):

Table 5-7: Investment Committee Maximum Investment Limits according to Invested Assets

Name	Amount
Government Bonds	SAR 15 million (equivalent to USD 4 million)
Corporate Bonds	SAR 15 million (equivalent to USD 4 million)
Bank Deposits	SAR 15 million (equivalent to USD 4 million)
All Other Asset Classes	SAR 15 million (equivalent to USD 4 million)

Source: The Company

The Committee is authorised to obtain any information it requires from any employee of the Company in order to enable it to perform its duties. The Committee is also authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

5 - 6 - 5 Nomination and Remuneration Committee

The Board has formed a Nomination and Remuneration Committee, and the shareholders approved, at the General Assembly meeting held on 18/05/2011G, the terms of reference and responsibilities of the Nomination and Remuneration Committee, Committee membership, and membership duration in addition to the amendments approved at the General Assembly meeting held on 05/06/2013G.

The Nomination and Remuneration Committee ensures transparency in the procedures for the selection, appointment and removal of Directors. All appointments and removals are to be approved by the General Assembly. This committee is also responsible, amongst other matters, for establishing policies regarding the indemnity and remuneration of Directors and senior managers.

The Nomination and Remuneration Committee is comprised of the following members:

Table 5-8: Members of the Nomination and Remuneration Committee

Name	Position
Andrew Burke	Chairman
Dr Mohammed Saud Al Blehed	Member
Adel Ahmad Al-Sheikh	Member

Source: The Company

Detailed resumes of the members of the Nomination and Remuneration Committees are provided in section 5.1.1 above.

The Nomination and Remuneration Committee consists of three members where the secretary of the Board or his nominee acts as the secretary of the Nomination and Remuneration Committee. Prasanna Venkatesh Muthukrishnan has been appointed Secretary of this Committee.

The Committee carries out the following duties.

Nomination

The Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to the Company's current position and makes recommendations to the Board with regard to any changes;

This Committee also reviews the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability required of the Company to enable it to continue to compete in the marketplace;

Remuneration

This Committee determines with the Board the framework and broad policy for the determination of remuneration of the Company's Chief Executive Officer, Chairman, the executive directors, the Company Secretary and the other members of the executive management, then obtains the Board's approval. The remuneration of non-executive Board members is a matter for the chairman and the executive member(s) of the Board to determine.

The Committee reviews annually the remuneration levels in the Company and oversees any major changes in employee remuneration and benefits throughout all of the Company's functions.

The Committee is authorised to seek any information it requires from any employee of the Company in order to enable it to perform its duties. The Committee is also authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

5 - 6 - 6 Risk Committee

The Board has formed a Risk Committee, and the terms of reference and responsibilities concerning the Risk Committee, Committee membership and membership duration were approved by the shareholders at the General Assembly meeting held on 18/05/2011G.

The Risk Committee is comprised of the following members:

Table 5-9: Members of the Risk Committee

Name	Position
Khalid Allagany	Chairman
Fadi Aboul Hosn	Member
Mohammed Rochdi Yahiaoui	Member
Ahmed Khalifa	Member
Mohammad Al Fardous	Member
Darwin Castaneda	Member

Source: The Company

Detailed resumes of the members of the Risk Committee are provided in section 5.3 above.

The Risk Committee has the responsibility of overseeing the Company's risk management procedures to ensure that the approved risk appetite has not been broached and that key risks are identified and suitable methods for managing and dealing with them are approved. This Committee also performs tasks including reviewing risk management functions and assessing the Company's processes relating to its risk and internal control systems.

The Company Secretary or his nominee acts as the secretary of the Committee.

Following is a brief description of the most significant responsibilities and duties of this Committee.

Internal Control

The Risk Committee reviews the effectiveness of the Company's internal controls and risk management systems. It also reviews the Company's annual financial Statements by submitting them for endorsement by the Audit Committee.

This Committee also reviews the Company's procedures for Anti Money Laundering, detecting fraud and investigating and handling allegations from whistle-blowers and ensures approved procedures are in place by which staff may, in full confidence, raise concerns to the Company's relevant management about compliance standards and material internal improprieties.

Risk Management

The Committee reviews the effectiveness of the Company's risk management procedures and reviews related reports on the key risks facing the Company and actions to mitigate these risks. The Committee reviews the reports from the Head of Risk on risk management issues and activities throughout the Company. The reports highlight strategic, external, operational and financial risk matters and compliance issues and standards. The reports inform the Committee of the systems and processes by which these risks and compliance issues are identified and managed. The Committee reviews and makes inquiries regarding the information received to ensure that the Company is not exceeding the risk appetite set by the Board.

Legal & Regulatory Compliance

The Compliance Committee monitors and makes recommendations to the Board concerning the Company's compliance with all legal and regulatory requirements.

The Company has a compliance function to oversee the Company's compliance with applicable rules and regulations which reports to the Audit Committee.

Internal, External and Technical Audits and Regulatory Reports

The Risk Committee, at the start of each fiscal year, endorses the internal audit program. This Committee promptly reviews all reports issued by the Company's Internal Audit Function. The Committee reviews management's responsiveness to the findings and recommendations of the internal auditor, technical auditor and the regulator through its supervisory reviews.

The Committee is authorized to obtain any information it requires from an employee of the Company, at the Company's expense, in order to enable it to perform its duties and also to obtain, outside legal or other professional advice on any matter within its terms of reference.

5 - 7 Service Contracts

5 - 7 - 1 Directors

The members of the Board of Directors are appointed by the Ordinary General Assembly using the cumulative voting method in accordance with the Company's By-Laws. The members of the current Board have been appointed for a period of three years beginning on 28/11/1433H (corresponding to 14/10/2012G) and their term ends on 27/11/1436H (corresponding to 11/09/2015G).

Following is a summary of the responsibilities of the Chairman and other members of the Board of Directors.

5 - 7 - 1 - 1 Chairman

- Chairing the Board and general assembly meetings.
- Facilitating the effective contribution of non-executive directors and encouraging active engagement by all members of the Board.
- Ensuring constructive relations between the executive and non-executive directors
- Holding meetings with the non-executive directors without the executive(s) present
- Running the Board and ensuring its effectiveness in all of its tasks, including the organization and regularity of meetings;
- Setting the Board agenda, taking into account the issues and concerns and primary tasks of the Board;
- Ensuring that there is appropriate delegation of authority from the Board to executive management
- Ensuring that the directors receive accurate, timely and clear information, including that of the Company's current financial performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Company
- Ensuring effective communication with shareholders.
- Ensuring the performance of the Board, its committees and individual directors is evaluated at least once a year and acting on the results of such evaluation by utilizing the strengths and addressing the weaknesses of the Board. In addition, proposing, through the Nomination & Remuneration Committee, that new members be appointed to the Board or seeking the resignation of others.

5 - 7 - 1 - 2 Board of Directors

The Board maintains responsibility for the management of the Company; this includes full oversight of the Company's operations and responsibility for ensuring that there is:

- A competent and prudent management team
- Sound planning process

- An adequate system of internal control
- Maintenance of the required accounting and other records
- Compliance with appropriate statutory and regulatory obligations
- Adequate financial and administrative information to enable the Board to make sound decisions
- Work principles under due implementation
- An ongoing process for assessing actual performance against previous strategic objectives and plans

The Board will receive reports and recommendations from time to time on any matter which it considers significant to the Company.

In line with the requirement of sound governance, there are a number of matters decided by the Board of directors as a whole. These are as follows:

Strategy and Management

- Responsibility for the overall management of the Company.
- Approval of the Company's long-term objectives and commercial strategy.
- Approval of the annual operating and capital expenditure budgets and any material changes to them.
- Review of performance in light of the Company's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken as needed.
- Approval of any extension of the Company's activities into new business or geographic areas.
- Approval of any decision to cease to operate some or all or material parts of the Company's business.

Organizational Structure and Capital

- Approval of changes relating to the Company's capital structure including reduction of capital, share issues, share buy backs.
- Approval of major changes to the Company's corporate structure.
- Approval of changes to the Company's management and control structure.
- Approval of any changes to the Company's listing or the activities for which it was established as a 'cooperative insurance company'.

Financial Reporting and Controls

- Approval of periodic reports required in line with relevant laws and instructions.
- Approval of preliminary and annual report and accounts.
- Approval of the dividend policy.
- Recommendation of the dividend.
- Approval of any significant changes in accounting policies and practices.

Internal Controls

- Ensuring maintenance of a sound system of internal control and risk management including:
- receiving reports on, and reviewing the effectiveness of, the Company's risk and control procedures to support its strategy and objectives;
- undertaking an annual review of the adequacy of the processes for assessing controls; and
- approving appropriate data for inclusion in the annual report.

Contracts

- Approval of major capital projects, investments or contracts in excess of the amount delegated to the Managing Director/Executive Committee.
- Approval of lending or borrowing by the Company made outside the treasury policy of the Company.

Communication

- Approval of resolutions and related documentation to be put forward to shareholders at the General Assemblies.
- Approval of all circulars, prospectuses and everything related to listing.
- Approval of press announcements concerning matters decided by the Board.

Board Membership and Appointments

- Approval of changes to the structure, size and composition of the Board, following recommendations from the Nomination & Remuneration Committee.
- Ensuring adequate succession planning for the Board and senior management following recommendations by the Nomination & Remuneration Committee.
- Appointments to the Board, following recommendations by the Nomination & Remuneration Committee.
- Selection of the Chairman of the Board and the Managing Director.
- Membership and Chairmanship of Board Committees.
- Continuation in office of directors (based on the Company's Articles of Association and shareholder approval at the General Assembly).
- Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the company, taking into consideration the relevant law and service contracts.
- Appointment or removal of the Company Secretary.
- Appointment, reappointment or removal of the external auditors to be put to shareholders for approval, following recommendation from the Audit & Risk Committee.
- Appointments to boards of any subsidiaries.

Remuneration

- Determining the remuneration policy for the directors, company secretary and other senior executives.
- Determining the remuneration and reimbursement of the directors, based on the Company's Articles of Association and shareholder approval (no director shall be involved in any decisions as to their own remuneration).
- The introduction of new incentive plans for employees such as granting shares or making major changes to existing plans, to be put to shareholders for approval.

Delegation of Authority

- Approval of the division between the responsibilities of the Chairman and those of the Managing Director.
- Approval of the limits of the authorities and powers granted to the Managing Director.
- Approval of terms of reference of Board Committees.
- Receiving reports from Board Committees on their activities.

Governance Matters

- Undertaking a formal review annually of the Board's performance, that of the Board Committees and individual directors.
- Determining the independence of directors.
- Considering the balance of interest between shareholders, employees and customers.
- Review of the Company's governance arrangements and procedures.
- Receiving and considering reports on the views of the Company's shareholders.

Policies

- Approval of policies and procedures to ensure the Company's compliance with relevant laws and regulations and the Company's obligation to disclose material information to shareholders, regulators and other stakeholders.

5 - 7 - 2 Managing Director

Khalid Gaafer Allagany is the Managing Director of the Company pursuant to an employment contract dated 01/04/2012G. The term of the employment contract ended on 31/03/2014G and was automatically renewed.

The Managing Director's remuneration consists of a monthly salary, housing, transportation and education allowances, and health, life and business travel insurance. The Managing Director is also entitled to an annual bonus linked to the performance of the Company, which is payable at the discretion of the Remuneration Committee.

5 - 7 - 3 CFO

Fadi Aboul Hosn is the CFO of the Company pursuant to an employment contract dated 01/12/2012G. The initial term of the employment contract ended on 30/11/2013G and automatically renewed for another one-year term.

The CFO's remuneration consists of a monthly salary, housing and transportation allowances, and health, life, and personal accident insurance. The CFO is also entitled to an annual bonus linked to the performance of the Company, which is payable at the discretion of the Remuneration Committee.

5 - 7 - 4 Remuneration and Benefits of Directors and the five most senior of the Senior Management (including the Managing Director and CFO)

Remuneration of the Chairman for the services that he performs is SAR 180,000 per annum; and the remuneration for each of the members of the Board if SAR 120,000 per annum for performing their respective duties. Furthermore, the Chairman and each member of the Board is paid SAR 3,000 for attending each Board meeting and SAR 1,500 for attending each meeting of the Board's committees.

The Non-Independent Directors on the Board (i.e. the nominees of Riyad Bank and RSA ME) have waived their rights to remuneration and fees for the attendance of the Company's Board and Committee meetings.

The members of the Board of Directors and Executive Management as well as the Managing Director and senior executives may not vote on decisions relating to their own remuneration or for any decisions issued by the Company's General Assembly in this regard. Board members and the executive management do not have any right to borrow from the Company.

The total remuneration paid to the independent Directors for the fiscal years ended 31 December 2011, 2012 and 2013 amounted to SAR 460,500, SAR 457,500 and SAR 457,500 respectively.

The total remuneration paid to the Company's senior management for the years ended 31 December 2011, 2012 and 2013 amounted to SAR 6,220,801, SAR 6,341,763, and SAR 5,824,769 respectively.

5 - 8 Declarations of Directors, Senior Management and Secretary of the Board

The Board of Directors, senior management, and the secretary of the board declare that:

- there has been no interruption in the Company's business that may affect or have a significant impact on its financial situation during the twelve months preceding the date of this Prospectus;
- no commissions, discounts, brokerages or other non-cash compensation were granted by the Company to any member of the Board, senior manager, promoter or expert in connection to the issue or sale of any securities in the three years immediately preceding the date of this Prospectus;
- apart from the losses incurred in 2011 and 2013 and their effect on the solvency margin (see section 6.8 " Management's Discussion and Analysis of Financial Condition and Results of Operations"), there has been no material adverse change in the financial or trading position of the Issuer or any of its subsidiary companies (if any) in the three years immediately preceding the application for registration and admission to listing, in addition to the period included in the report of the chartered accountant to the approval of this Prospectus;
- except as disclosed in Section 5 "Corporate Structure and Governance" of this prospectus, neither they nor any of their relatives have any shareholding or interest of any kind in the Company.
- neither they nor any of their relatives or affiliates, have any material interest in any written or verbal contract or arrangement in effect or contemplated at the date of the Prospectus, in relation to the business of the Company, except as disclosed in this Section 12 "Legal Information."
- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- they have not been employed in a managerial or supervisory capacity by an insolvent company in the five years preceding the date of this Prospectus;
- no material change in the nature of the business of the Company is contemplated;
- the Company has not had any employee share schemes in place prior to the application for registration and admission to listing or any other arrangements involving the employees in the capital of the Company;
- the Company has not made any alterations to their respective share capital within the three years immediately preceding the date of application for registration and admission to listing;
- the Company has not issued any debt instruments, nor does it have any other term loans or any other material outstanding borrowings or indebtedness (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments);

- none of the Company’s material assets are under mortgage, right or charge;
- the Company does not have any material contingent liabilities or guarantees;
- the Board has reviewed the expected cash flow requirements and declares that the Company will have sufficient working capital for at least twelve months from the date of this Prospectus; the Company’s financial analyses have been presented to the Board in order to assess the Company’s anticipated performance in the twelve months following the capital increase and an alternate plan has also been discusses in the event that any harmful unanticipated scenarios occur;
- neither they nor any senior executives have any powers or rights to borrow from the Company;
- neither they nor any senior executives have the right to vote on their respective remuneration or on any contract or proposal in which they have a material interest;
- the Company is in compliance with the compulsory Corporate Governance Regulations; and
- the Company is in compliance with Articles 69 and 70 of the Companies Regulations and the related Article 18 of the Corporate Governance Regulations.

5 - 9 Conflicts of Interest

The Company’s constitutional documents do not grant powers enabling a Director to vote on a contract or proposal in which he has a material interest, whether directly or indirectly.

A Board member may not have any interest, whether directly or indirectly, in the transactions and contracts made for the account of the Company, except with authorisation from the ordinary General Assembly, which shall be renewed annually.

A Board member must declare to the Board any personal interest he may have in the transactions or contracts made for the account of the Company. The Chairman shall communicate to the ordinary General Assembly (when it convenes) the transactions and contracts in which any Board member has a personal interest. Such communication shall be accompanied by a special report from the auditor.

Any such declarations must be recorded in the minutes of the Board meeting and the Board member in question is not permitted to vote in respect of the relevant resolution.

The Company and the Board of Directors further declare their intention of complying with Articles 69 and 70 of the Companies Regulation, and Article 18 of the Corporate Governance Regulations.

5 - 10 Continuation of Activities

The Company is not expected to stop its activities, or make a significant change thereto, in the future. Furthermore, there has not been any interruption of the business of the Company and the Directors are not aware of any event which may have or has had a significant effect on the financial position, Portfolio, related assets or other business of the Company over the twelve (12) month period prior to the date of this Prospectus, although the Company incurred losses in 2011 and 2013 that affected the solvency margin.

6. Management's Discussion and Analysis of Financial Condition and Results of Operation

6 - 1 Introduction

The following discussion and analysis of the Company's financial position and results of operations is based upon, and should be read in conjunction with, the audited financial statements for the years ended 31 December 2011 and 2012 which were audited by Deloitte and Touche Bakr Abulkair and Company and Al Bassam Certified Public Accountants & Consultants, the audited financial statements for 31 December 2013 audited by KPMG Al Fozan & Al Sadhan and Al Bassam Certified Public Accountants & Consultants and the unaudited financial statements for the 6 month periods ending 30 June 2013 and 2014 reviewed by KPMG Al Fozan & Al Sadhan and Al Bassam Certified Public Accountants & Consultants.

This section which is prepared by the Company's management contains forward-looking statements that involve risks and uncertainties. Actual performance of the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus.

It is of note that the figures in this section have been rounded up to the nearest number. As such, if summed, the numbers may differ to those which are stated in the tables. It is also worth mentioning that all the annual percentages, margins, expenses and CAGRs are based on the rounded figures.

6 - 2 Directors' declarations for financial statements

The Directors declare that the financial information presented in the Prospectus is extracted without material change from the Audited Financial Statements for the periods ending 31 December 2011, 2012, 2013 and the interim reviewed unaudited financial statements for the period ending 30 June 2013 and 2014 until the issuance date of this prospectus.

The Directors also declare that the Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Furthermore, the Company's Board of directors declares that it has working capital sufficient for the next twelve months following the date of this Prospectus.

The Directors also declare that the Company reported net losses of SR26.0m in the first 6 months of 2014 representing 13% of total shareholders' equity (SR114.2m since incorporation).

6 - 3 Legal structure and overview of activities and operations

Al Alamiya for Cooperative Insurance Company ("Al Alamiya" or "the Company") is a Saudi joint stock company registered on 29 Dhu-al Qu'dah 1430H (17 November 2009) under commercial registration number 1010287831.

The activities of the Company are to transact cooperative insurance and reinsurance operations and all related activities in accordance with the Law of Supervision of Cooperative Insurance Companies and its implementing regulations in the Kingdom of Saudi Arabia.

The Company's capital was not subject to any option as at 31 December 2011, 2012, and 2013 as well as at 30 June 2014. In addition, no specific commissions, discounts, brokerages or other non-cash compensation were granted (within the three years immediately preceding the application for registration and admission to listing) in connection with the issue or offer of any securities by the Company to any of the directors, proposed directors, senior executives, persons offering or placing the securities or any other experts. The Company became listed on the Saudi Stock Exchange (Tadawul) in December 2009.

Table 6-1: Legal structure as at 30/6/2014

Shareholders	Number of shares	Price per share (SR)	Capital	Share (%)
Royal & Sun Alliance Insurance (Middle East) Limited E.C.	10,014,000	10	100,140	50%
Riyad Bank	3,984,000	10	39,840	20%
Wahib Said Binzagr	500	10	5	0%
Yusuf Ali Zaid Al Quraishi	500	10	5	0%
Saad Abdul Latif Al Issa	500	10	5	0%
Adnan Hamza Bogary	500	10	5	0%
Public	6,000,000	10	60,000	30%
Total	**20,000,000**	**70**	**200,000**	**100%**

Source: Audited Financial Statements as at 30/6/2014

Al Alamiya underwrites a variety of insurance covers in all general insurance lines including motor, property, marine, medical, engineering and other general insurance.

As per Management, the Company's financial position in general has not been affected by any significant seasonal fluctuations or business cycles. In addition, no information or indicators of any economic, governmental, financial, political or other factors had or will have a material effect, whether direct or indirect on the Company's operations, throughout the past 3 years.

As per Management, the Company does not own any holdings in contractually based securities or other assets whose value may be subject to fluctuations or be difficult to ascertain with certainty or that might significantly affect the assessment of the Company's financial position.

6 - 4 Basis of preparation

6 - 4 - 1 Statement of compliance

As required by Saudi Arabia Insurance Regulation, the Company maintains separate accounts for the Insurance Operations and Shareholders' Operations. The physical custody of all assets related to the Insurance Operations and Shareholders' Operations are held by the Company. Revenue and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of the other revenue and expenses from the joint operations is determined by management and the Board of Directors.

The Company is required to distribute 10% of the net surplus from the 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 Saudi Arabian Monetary Agency ("SAMA"). Any deficit arising on insurance operations is transferred to the shareholders operations in full.

6 - 4 - 2 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, using the accrual basis of accounting and going concern concept.

6 - 4 - 3 Functional and presentational currency

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

6 - 4 - 4 Critical accounting judgments, estimates and

6 - 4 - 4 - 1 assumptions

The preparation of the 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. In addition to that, uncertainty around these estimates and judgments may result in future material amendments on the book value of assets and liabilities.

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 the historical experience and other factors, including expectations of the future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation of uncertainly at the statement of the financial position date, that have a significant risk of causing a material adjustment to 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 insured event has occurred prior to the end of reporting date. The Company uses the services of an independent actuary for the valuation of IBNR as well as premium deficiency reserves.

ii. Impairment losses 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 recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

iii. Deferred policy acquisition costs

Certain acquisition costs related to writing or renewal of new policies are recorded as deferred acquisition costs and are amortized over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realized, the amortization of these costs could be accelerated and this may also require recognition of additional impairment in the insurance operations' balances.

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 investee, industry and sector performance, changes in technology and operational and financing cash flow.

6 - 5 Summary of significant accounting policies

The following are the significant accounting policies followed in the preparation of the accompanied financial statements:

6 - 5 - 1 Cash and cash equivalents

For the purpose of the statement of cash flows for both insurance and shareholders' operations, cash and cash equivalents comprise cash in hand and with the banks and other short term highly liquid investments, if any, with original maturities of three months or less.

6 - 5 - 2 Insurance contracts

Insurance contracts are defined as those containing insurance risk at the inception of the contract or those where at the inception of the contract there is a scenario with commercial substance 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.

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.

6 - 5 - 3 Investments

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

i. 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 profit and loss. 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 investment is recognized on an effective yield method. Profit or loss on sale of investments is recognized at the time of the sale. Dividend income is recognized when the right to receive such dividend is established.

Unrealized gains and losses are recognized directly in equity (through other comprehensive income) captioned under ‘investment valuation reserve’. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of comprehensive income – shareholders’ operations.

Any permanent 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 commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

6 - 5 - 4 Premiums and commission income recognition

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis except for marine cargo insurance whereby it is calculated on the basis of last three month premiums. Unearned premiums represent the portion of premiums written relating to the unexpired period of insurance coverage. The change in the provision for unearned premiums is recorded to the statement of insurance operations in the same order that premiums are recognized over the period of the risk. Retained premiums and commission income of the current period which are related to unexpired risks beyond the end of the financial period, are reported as unearned and deferred based on actual number of days for all lines of business except for Marine Cargo which is based on the last three months of the period end.

6 - 5 - 5 Claims

Claims consist of amounts payable to insurance operations and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of comprehensive income – insurance operations in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid at the reporting date are made on the basis of individual case estimates. In addition, a provision based on Management’s judgment and the Company’s prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income - insurance operation for that year. The outstanding claims are shown on 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.

6 - 5 - 6 Liquidity adequacy test

At each end of reporting period, a liability adequacy test is performed to ensure the adequacy of the insurance contract 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.

6 - 5 - 7 Premiums and insurance balances receivable

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

6 - 5 - 8 Unearned commission

Commission receivable on outward reinsurance contracts is deferred and amortized over the terms of the insurance contracts to which it relates. Amortization is recorded in the statement of income – insurance operations.

6 - 5 - 9 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. The estimated useful lives of property and equipment are as follows:

	Years
Furniture and fixtures	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 recognized in the statement of income – insurance operations when the related property and equipment are disposed.

6 - 5 - 10 Reinsurance

In the ordinary course of business, the Company cedes insurance premiums and risk for a portion of its businesses. 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. A significant portion of reinsurance transactions is performed under treaty, facultative and excess of loss reinsurance contracts. Assets or liabilities being recorded in the insurance operations’ financial position represent premiums due to or payments due from reinsurers and the Company’s share of losses being recoverable from reinsurers. Amounts receivable from reinsurers are estimated in a manner consistent with the claims liability associated with the insured parties. Reinsurance assets or liabilities are derecognized 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 insurance operations.

6 - 5 - 11 Deferred policy acquisition costs

Those are 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 these costs are recoverable out of future premiums. All other acquisition costs are expensed when incurred.

Subsequent to initial recognition, deferred costs are amortized on a straight-line basis based on the term of expected future premiums. Amortization 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 amortization period and are treated as a change in accounting estimate.

6 - 5 - 12 Zakat and income tax

The Company is subject to the regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accrual basis at year end and are charged to the statement of changes in shareholders' equity. The Zakat charge is computed on the Saudi shareholders' share of the zakat base. Income tax is computed on the foreign shareholders' share of adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

6 - 5 - 13 Provisions

A provision for incurred liabilities is recognized 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.

6 - 5 - 14 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 to 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 were primarily in US dollars, which are pegged against Saudi Riyals, foreign exchange gains and losses are not significant and have not been disclosed separately.

6 - 5 - 15 Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that specific financial assets or groups of financial assets may be impaired. If such evidence exists, an impairment loss is recognized in the statement of income - insurance operations or the 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 impairment loss previously recognized 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 amortized 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 payment;
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulty; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of these, 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 issuer that correlate with defaults on the assets.

6 - 5 - 16 De-recognition of financial instruments

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

6 - 5 - 17 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

6 - 5 - 18 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 contract 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.

6 - 5 - 19 Segmental reporting

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

- Property insurance contracts, with the main peril being fire, accidental damages 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 Risk ("EAR") and Contractors All Risk ("CAR") policies and annual policies for Machinery Break Down ("MBD"), Machinery All Risk, Electronic Data Processing and Business Interruption in connection 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 other property, general accident and marine.

Shareholders' operations are 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 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 on mutually agreed terms. Segment income, expenses 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.

6 - 5 - 20 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 recognized amounts and there is an intention to settle on a net basis, or to realize 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.

6 - 5 - 21 Trade date accounting

All regular way purchases and sales of financial assets are recognized/ derecognized on the trade data (i.e. the data 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.

6 - 6 Results of operations

6 - 6 - 1 Income statement

6 - 6 - 1 - 1 Statement of comprehensive income

Table 6-2: Policyholders' statement of comprehensive income

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR ‹11-'13	YoY 13' - 14'
Gross premiums written	227,930	248,070	330,882	149,679	149,038	20.5%	(0.4%)
Reinsurance premium ceded	(106,605)	(116,743)	(171,158)	(66,271)	(62,601)	26.7%	(5.5%)
Net written premiums	**121,325**	**131,327**	**159,724**	**83,408**	**86,437**	**14.7%**	**3.6%**
Change in unearned premiums	(7,208)	(11,110)	(4,690)	(11,244)	(6,675)	(19.3%)	(40.6%)
Net premiums earned	**114,117**	**120,217**	**155,034**	**72,164**	**79,762**	**16.6%**	**10.5%**
Gross claims paid	(117,218)	(115,096)	(317,749)	(75,230)	(161,455)	64.6%	114.6%
Reinsurers' share of gross claims paid	46,447	34,853	199,766	14,910	85,945	107.4%	476.4%
Change in outstanding claims, net	(2,256)	10,644	(16,978)	4,385	(5,564)	174.3%	(226.9%)
Net claims incurred	**(73,027)**	**(69,599)**	**(134,961)**	**(55,936)**	**(81,074)**	**35.9%**	**44.9%**
Policy acquisition costs	(16,390)	(13,211)	(15,043)	(7,559)	(8,704)	(4.2%)	15.2%
Reinsurance commission income	19,326	21,468	28,173	12,120	13,118	20.7%	8.2%
Other underwriting expenses	(1,833)	(1,181)	(1,521)	(621)	(730)	(8.9%)	17.4%
Net underwriting results	**42,191**	**57,694**	**31,682**	**20,168**	**2,373**	**(13.3%)**	**(88.2%)**
General and administrative expenses	(59,128)	(53,220)	(53,982)	(25,972)	(29,119)	(4.5%)	12.1%
Investment income	96	348	501	254	303	127.9%	19.4%
Other income	182	58	135	1	32	(14.0%)	2540.4%
Insurance operations (deficit) / surplus	**(16,658)**	**4,880**	**(21,664)**	**(5,549)**	**(26,411)**	**14.0%**	**376.0%**

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR ‹11-'13	YoY 13' - 14'
Key ratios analysis						ppt	
GWP growth rate	na	8.8%	33.4%	na	(0.4%)	na	na
Cession ratio	46.8%	47.1%	51.7%	44.3%	42.0%	5.0	(2.3)
NEP as % of GWP	50.1%	48.5%	46.9%	48.2%	53.5%	(3.2)	5.3
Net loss ratio	64.0%	57.9%	87.1%	77.5%	101.6%	23.1	24.1
Commission paid as % of GWP	7.0%	4.8%	5.0%	7.4%	7.1%	(2.1)	(0.4)
Commission received as % of ceded premium	19.5%	21.2%	17.1%	19.0%	21.6%	(2.5)	2.6
Net commission ratio	(2.6%)	(6.9%)	(8.5%)	(6.3%)	(5.5%)	(5.9)	0.8
Net underwriting results as % of GWP	18.5%	23.3%	9.6%	13.5%	1.6%	(8.9)	(11.9)
Expense ratio	51.8%	44.3%	34.8%	36.0%	36.5%	(17.0)	0.5
Combined ratio	113.2%	95.3%	113.4%	107.2%	132.6%	0.2	25.4
Net income as % of GWP	(7.3%)	2.0%	(6.5%)	(3.7%)	(17.7%)	0.8	(14.0)
Number of policies	30,787	42,710	46,807	30,796	30,710	16,020	(86.0)
Average GWP per policy (SR in 000s)	7.4	5.8	7.1	4.9	4.9	(0.3)	(0.7)
Number of claims	19,860	22,824	25,629	12,294	13,328	5,769	1,034
Average amount per claim (SR in 000s)	3.7	3.0	5.3	4.5	6.1	1.6	153.3

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Gross premiums written

Gross premiums written increased from SR227.9m in FY11 to SR330.9m in FY13 at a CAGR of 20.5% mainly as a result of:

- The increase in Property premiums at a CAGR of 49.1% amounting SR55.3m between FY11 and FY13 due to major increase in pricing of the Property policy for Savola account in FY13 due to large claims reported in FY13;
- The increase in Motor premiums at a CAGR of 18.8% amounting SR34.5m between FY11 and FY13, which are mainly related to policies underwritten through Riyad Bank's Motor Leasing scheme on the back of the growth in the bank's car loans portfolio; and
- Partially offset by the decrease in Engineering premiums at a CAGR of 8.5% amounting to SR3.7m between FY11 and FY13 on the back of the increased competition in the market.

Gross premiums written decreased from SR149.7m in YTD13 to SR149.0m in YTD14 by 0.4% as a result of:

- The decrease in Medical premiums by SR11.9m mainly due to the loss/nonrenewal of some Medical policies due to claims history and increase in Medical prices;
- Partially offset by the increase in Motor premiums by SR7.9m resulting from an increase in Motor premiums from Riyad Bank motor leasing scheme, coupled with an increase in Property premiums due to a major policy related to Arab Steel (a subsidiary of Al Itafaq Steel and Al Tuwairqi Group) amounting to SR2.8m written in YTD14.

Reinsurance premiums ceded

Reinsurance premiums ceded increased from SR106.6m in FY11 to SR171.2m in FY13 with a CAGR of 26.7% (with overall cession ratio increasing from 46.8% to 51.7%) mainly as a result of the growth in Property premiums (which were 96.9% ceded in FY13). Reinsurance premiums ceded decreased from SR66.3m in YTD13 to SR62.6m in YTD14 on the back of the decrease in Medical ceded premiums by 76.0% (SR5.8m) and Marine ceded premiums by 28.1% (SR3.0m), partially offset by the increase in Engineering ceded premiums by 34.2% (SR3.5m). It should be noted that insurance regulations on companies' reinsurance activities command that at least 30% of its total premiums should be reinsured locally in Saudi Arabia.

Net claims incurred

Net claims incurred decreased from SR73.0m in FY11 to SR69.6m (Overall net loss ratio decreased by 6.1 ppt) in FY12 mainly on the back of the decrease in Property insurance claims by SR4.1m. Subsequently, net claims incurred increased to SR135.0m (Overall net loss ratio increased by 29.2 ppt) in FY13 mainly due to the increase in Motor claims by SR58.6m in line with the increase in Motor GWP. Moreover, the increase in Motor claims was also driven by the increase in the number of accidents in KSA in FY13 compared to FY11 and FY12. Net claims incurred increased from SR55.9m in YTD13 to SR81.1m in YTD14 (overall net loss ratio increased by 24.1 ppt reaching 101.5% in YTD14) mainly due to the increase in Motor net claims by SR21.7m and Other insurance net claims by SR6.3m, partially offset by the decrease in Property insurance claims by SR2.8m.

Policy acquisition costs

Policy acquisition costs which refer to brokerage commissions paid net of the change in deferred acquisition costs (DAC) decreased by SR3.2m from FY11 to FY12, primarily as a result of Motor line of business, which decreased by SR2.6m, as the Company used to pay earlier 12.5% brokerage commissions to Insurance House Brokerage Firm in relation to Riyadh bank auto leasing portfolio and it dis-intermediated this Auto leasing portfolio which represented more than 50% of the Motor portfolio. Subsequently in FY13, it increased by SR1.8m amounting to SR15.0m mainly on the back of the increase in policies written through brokers by SR17.5m. Policy acquisition costs increased from SR7.6m in YTD13 to SR8.7m in YTD14 primarily driven by lower increase in deferred acquisition costs in the first half of the year (+SR1.8m) as of 30 June 2014 as compared to 30 June 2013 (+SR3.6m) in line with the decrease in UPR over the same period. Please refer to section 6.6.1.1 for details.

Reinsurance commission income

Reinsurance commission income increased by a CAGR of 20.7%, from SR19.3m in FY11 to SR28.2m in FY13 in line with the growth in ceded premiums. Reinsurance commission income increased by 8.2%, from SR12.1m in YTD13 to SR13.1m in YTD14 mainly driven by the increase in Property and Engineering ceded premiums over the same period.

Other underwriting expenses

Other underwriting expenses mainly relate to SAMA supervision fees, which are calculated quarterly based on 0.5% of gross written premiums minus local reinsurance placements, in addition to claim management fees paid to the medical third party administrator (Mednet).

General and administrative expenses –Insurance Operations

General and administrative expenses for insurance operations decreased by a CAGR of 4.5% from SR59.1m in FY11 to SR54.0m in FY13 mainly due to:

- the decrease in provision for doubtful debt from SR8.6m in FY11 to a release of SR1.6m in FY13 as the Company maintains an allowance for doubtful debts based on SAMA regulations.
- professional fees decreasing by a CAGR of 22.1% from SR3.0m in FY11 to SR1.8m in FY13 on the back of higher provision for auditors and tax consultants' services in FY11 amounting to SR1.5m in connection with the portfolio transfer.
- offset by the increase in salaries and benefits by a CAGR of 10.8% from SR29.9m in FY11 to SR36.6m in FY13 as a result of the cost associated with key Management personnel during FY12 and FY13.

General and administrative expenses for insurance operations increased by SR3.1m at a CAGR of 12.1% from SR26.0m in YTD13 to SR29.1m in YTD14 mainly on the back of the increase in provision for doubtful debt by SR3.0m during the same period in line with the Company's compliance with SAMA's provisioning guidelines.

Investment income –Insurance Operations

Investment income relates to interest income from policyholders' investments, and it increased from SR96k in FY11 to SR501k in FY13 at a CAGR of 128.0% as a result of the increase in total insurance operations' investments including term deposits (which grew from SR32.5m at 31 Dec 2011 to SR85.8m at 31 Dec 2013). Investment income increased from SR254k in YTD13 to SR303k in YTD14 driven by the increase in insurance operations' term deposits by SR23.8m from 30 June 2013 to 30 June 2014.

Other income

Other income mainly relates to gain on sale of fixed assets, repairs and maintenance, and other sundry commissions.

Table 6-3: Shareholders' statement of comprehensive income

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR '11-'13	YoY '13 - 14'
Shareholders' appropriation from insurance operations' (deficit)/surplus	(16,658)	4,880	(21,664)	(5,549)	(26,411)	14.0%	376.0%
Investment income	1,083	1,291	1,566	870	832	20.2%	(4.3%)
General and administrative expenses	(2,433)	(1,920)	(1,817)	(807)	(721)	(13.6%)	(10.6%)
Net income/(loss) before Zakat and income tax	**(18,008)**	**4,251**	**(21,915)**	**(5,486)**	**(26,301)**	**10.3%**	**379.4%**
Unrealized gain	-	411	(202)	(14)	318	0.0%	(2326.7%)
Distributed surplus	-	(488)	-	-	-	0.0%	0.0%
Net income/(loss)	**(18,008)**	**4,174**	**(22,117)**	**(5,500)**	**(25,983)**	**10.8%**	**372.4%**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Shareholders' appropriation from insurance operations' (deficit)/surplus

Insurance operations' deficit amounted to SR26.4m in YTD14, whereby the shareholders take full charge of this deficit.

Investment income – Shareholders

Investment income is related to interest income from shareholders' investments and it increased by a CAGR of 20.2% from SR1.1m in FY11 to SR1.6m in FY13 as a result of the increase in total shareholders' investments including term deposits. Investment income decreased partially by a CAGR of 4.3% from SR870k in YTD13 to SR832k in YTD14 due to the decrease in interest yield on term deposits from 1.3% to 0.95% over the same period.

General and administrative expenses – Shareholders

General and administrative expenses for shareholders decreased at a CAGR of 13.6% from SR2.4m in FY11 to SR1.8m in FY13 mainly due to a decrease in professional fees and salaries and benefits by SR900k and SR275k respectively, offset by an increase in others by SR594k. General and administrative expenses decreased at a CAGR of 10.6% from SR807k in YTD13 to SR721k in YTD14 as a result of a decrease in others miscellaneous expenses (SAMA fees, CCHI fees, and conference cost, etc.) from SR311k in YTD13 to SR225k in YTD14.

Unrealized gain (loss)

Unrealized gain (loss) mainly related to differences between book value and market value of available for sale investments amounting to SR318k in YTD14.

6 - 6 - 1 - 2 Technical income statements

Income statement by line of business analysis – FY11

Table 6-4: Income statement by line of business - FY11

SR in 000s	FY11						
	Property	Motor	Engineering	Medical	Marine	Others	Total
Insurance Operations							
Gross Premiums Written	45,168	84,055	22,900	17,506	31,661	26,642	227,930
Less: Reinsurance Premium Ceded	(40,904)	-	(17,161)	(7,676)	(17,486)	(13,337)	(96,565)
Excess of Loss Premiums	(1,734)	(1,611)	(2,261)	(303)	(3,236)	(895)	(10,040)
Net Written Premiums	**2,530**	**82,444**	**3,478**	**9,527**	**10,938**	**12,409**	**121,325**
Change in Unearned Premiums	(485)	(8,962)	2,029	(1,844)	2,756	(702)	(7,208)
Net Premiums Earned	**2,044**	**73,482**	**5,507**	**7,683**	**13,694**	**11,707**	**114,117**
Gross Claims Paid	(35,053)	(54,447)	(7,333)	(8,610)	(6,681)	(5,095)	(117,218)
Reinsurers' Share of Gross Claims Paid	31,994	-	4,498	4,867	1,492	3,595	46,447
Change in Outstanding Claims, net	(1,688)	(743)	1,730	(40)	241	(1,755)	(2,256)
Net Claims Incurred	**(4,747)**	**(55,190)**	**(1,105)**	**(3,783)**	**(4,947)**	**(3,255)**	**(73,027)**
Policy Acquisition Costs	(2,355)	(8,251)	(2,784)	(449)	(1,506)	(1,046)	(16,390)
Reinsurance Commission Income	9,098	-	3,853	-	4,138	2,237	19,326
Total	**4,041**	**10,040**	**5,472**	**3,451**	**11,379**	**9,643**	**44,025**
Other Underwriting Expenses	-	-	-	-	-	-	(1,833)
Net Underwriting Result	**4,041**	**10,040**	**5,472**	**3,451**	**11,379**	**9,643**	**42,191**
General and administrative expenses							(59,128)
Investment Income							96
Other Income, Net							182
Insurance Operations' Deficit							**(16,658)**
KPIs							
Cession ratio	94.4%	1.9%	84.8%	45.6%	65.5%	53.4%	46.8%
Net earned premiums as % of GWP	4.5%	87.4%	24.0%	43.9%	43.3%	43.9%	50.1%
Net loss ratio	232.2%	75.1%	20.1%	49.2%	36.1%	27.8%	64.0%
Commission incurred as a % of of net earned premiums	115.2%	11.2%	50.5%	5.8%	11.0%	8.9%	14.4%
Commission received as a % of net earned premiums	445.0%	0.0%	70.0%	0.0%	30.2%	19.1%	16.9%
Underwriting surplus as a % of GWP	8.9%	11.9%	23.9%	19.7%	35.9%	36.2%	18.5%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Net underwriting results before accounting for other underwriting expenses amounted to SR44.0m in FY11, whereby other insurance was the major contributor to net underwriting results as % of GWP (36.2%), followed by Marine insurance (35.9%), Engineering insurance (23.9%). Medical net underwriting results excluding other underwriting expenses as % of GWP amounted to 19.7%, followed by Motor insurance (11.9%) and Property insurance (8.9%).

Income statement by line of business analysis – FY12

Table 6-5: Income statement by line of business - FY12

SR in 000s	FY12						
	Property	Motor	Engineering	Medical	Marine	Others	Total
Insurance Operations							
Gross Premiums Written	52,372	95,454	22,204	10,296	35,283	32,461	248,070
Less: Reinsurance Premium Ceded	(46,308)	-	(18,177)	(2,392)	(21,864)	(15,879)	(104,620)
Excess of Loss Premiums	(2,424)	(4,352)	(2,447)	(350)	(1,823)	(727)	(12,123)
Net Written Premiums	**3,641**	**91,103**	**1,579**	**7,554**	**11,596**	**15,855**	**131,327**
Change in Unearned Premiums	(1,305)	(10,041)	803	653	309	(1,529)	(11,110)
Net Premiums Earned	2,336	81,062	2,382	8,207	11,905	14,326	120,217
Gross Claims Paid	(11,469)	(70,474)	(5,121)	(9,801)	(11,689)	(6,542)	(115,096)
Reinsurers' Share of Gross Claims Paid	10,880	3,500	3,629	4,756	6,769	5,318	34,853
Change in Outstanding Claims, net	(35)	12,716	4	(294)	(1,463)	(284)	10,644
Net Claims Incurred	(624)	(54,258)	(1,487)	(5,339)	(6,383)	(1,508)	(69,599)
Policy Acquisition Costs	(2,065)	(5,614)	(2,565)	(332)	(1,940)	(696)	(13,211)
Reinsurance Commission Income	7,589	-	4,861	-	7,175	1,842	21,468
Total	7,236	21,190	3,191	2,536	10,758	13,964	58,875
Other Underwriting Expenses	-	-	-	-	-	-	(1,181)
Net Underwriting Result	7,236	21,190	3,191	2,536	10,758	13,964	57,694
General and administrative expenses							(53,220)
Investment Income							348
Other Income, Net							58
Insurance Operations' Surplus							4,880
KPIs							
Cession ratio	93.0%	4.6%	92.9%	26.6%	67.1%	51.2%	47.1%
Net earned premiums as % of GWP	4.5%	84.9%	10.7%	79.7%	33.7%	44.1%	48.5%
Net loss ratio	26.7%	66.9%	62.4%	65.1%	53.6%	10.5%	57.9%
Commission incurred as a % of of net earned premiums	88.4%	6.9%	107.7%	4.0%	16.3%	4.9%	11.0%
Commission received as a % of net earned premiums	324.9%	0.0%	204.1%	0.0%	60.3%	12.9%	17.9%
Underwriting surplus as a % of GWP	13.8%	22.2%	14.4%	24.6%	30.5%	43.0%	23.3%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Net underwriting results before accounting for other underwriting expenses amounted to SR58.9m in FY12, whereby other insurance was the major contributor to net underwriting results as % of GWP (43.0%), followed by Marine insurance at (30.5%), and Medical insurance (24.6%). Motor net underwriting results as % of GWP excluding other underwriting expenses amounted to 22.2%, followed by Engineering insurance (14.4%) and Property insurance (13.8%).

Income statement by line of business analysis – FY13

Table 6-6: Income statement by line of business - FY13

SR in 000s	FY13						
	Property	Motor	Engineering	Medical	Marine	Others	Total
Insurance Operations							
Gross Premiums Written	100,432	118,543	19,155	20,808	39,032	32,913	330,882
Less: Reinsurance Premium Ceded	(94,018)	-	(15,769)	(10,952)	(22,534)	(16,088)	(159,361)
Excess of Loss Premiums	(3,280)	(3,020)	(2,050)	(366)	(2,269)	(813)	(11,797)
Net Written Premiums	**3,134**	**115,523**	**1,336**	**9,490**	**14,229**	**16,013**	**159,724**
Change in Unearned Premiums	157	(5,143)	376	285	93	(458)	(4,690)
Net Premiums Earned	**3,291**	**110,380**	**1,711**	**9,775**	**14,321**	**15,555**	**155,034**
Gross Claims Paid	(177,138)	(96,572)	(2,416)	(12,529)	(18,929)	(10,164)	(317,749)
Reinsurers' Share of Gross Claims Paid	174,319	-	1,571	4,987	12,053	6,836	199,766
Change in Outstanding Claims, net	(4,654)	(16,277)	623	1,069	745	1,516	(16,978)
Net Claims Incurred	**(7,474)**	**(112,849)**	**(222)**	**(6,473)**	**(6,130)**	**(1,812)**	**(134,961)**
Policy Acquisition Costs	(3,433)	(4,960)	(2,600)	(1,002)	(2,344)	(704)	(15,043)
Reinsurance Commission Income	14,534	-	4,860	-	7,231	1,548	28,173
Total	**6,917**	**(7,430)**	**3,749**	**2,300**	**13,078**	**14,587**	**33,203**
Other Underwriting Expenses	-	-	-	-	-	-	(1,521)
Net Underwriting Result	**6,917**	**(7,430)**	**3,749**	**2,300**	**13,078**	**14,587**	**31,682**
General and administrative expenses							(53,982)
Investment Income							501
Other Income, Net							135
Insurance Operations' Deficit							**(21,664)**
KPIs							
Cession ratio	96.9%	2.5%	93.0%	54.4%	63.5%	51.3%	51.7%
Net earned premiums as % of GWP	3.3%	93.1%	8.9%	47.0%	36.7%	47.3%	46.9%
Net loss ratio	227.1%	102.2%	13.0%	66.2%	42.8%	11.6%	87.1%
Commission incurred as a % of of net earned premiums	104.3%	4.5%	151.9%	10.2%	16.4%	4.5%	9.7%
Commission received as a % of net earned premiums	441.6%	0.0%	284.0%	0.0%	50.5%	10.0%	18.2%
Underwriting surplus as a % of GWP	6.9%	(6.3%)	19.6%	11.1%	33.5%	44.3%	9.6%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Net underwriting results before accounting for other underwriting expenses amounted to SR33.5m in FY13, whereby other insurance was the major contributor to net underwriting results as % of GWP (44.3%), followed by Marine insurance (33.5%) and Engineering insurance (19.6%). Net underwriting results excluding other underwriting expenses as % of GWP in Medical insurance amounted to 11.1%, followed by Property insurance (6.9%), offset by a deficit in Motor insurance amounting to SR7.4m (negative 6.3%).

Income statement by line of business analysis – YTD13

Table 6-7: Income statement by line of business – YTD13

SR in 000s	YTD13						
	Property	Motor	Engineering	Medical	Marine	Others	Total
Insurance Operations							
Gross Premiums Written	29,204	62,090	11,481	15,011	17,258	14,636	149,679
Less: Reinsurance Premium Ceded	(26,160)	-	(9,392)	(7,487)	(9,467)	(8,093)	(60,599)
Excess of Loss Premiums	(1,157)	(1,840)	(931)	(197)	(1,110)	(438)	(5,672)
Net Written Premiums	**1,887**	**60,250**	**1,158**	**7,327**	**6,681**	**6,104**	**83,408**
Change in Unearned Premiums	263	(9,072)	(289)	(2,987)	726	115	(11,244)
Net Premiums Earned	**2,150**	**51,178**	**869**	**4,340**	**7,407**	**6,220**	**72,164**
Gross Claims Paid	(2,578)	(53,249)	(855)	(5,033)	(9,524)	(3,991)	(75,230)
Reinsurers' Share of Gross Claims Paid	2,295	1,521	556	1,501	6,391	2,646	14,910
Change in Outstanding Claims, net	(4,023)	5,855	143	(165)	(464)	3,039	4,385
Net Claims Incurred	**(4,306)**	**(45,874)**	**(156)**	**(3,697)**	**(3,597)**	**1,694**	**(55,936)**
Policy Acquisition Costs	(2,041)	(2,418)	(1,204)	(400)	(1,145)	(351)	(7,559)
Reinsurance Commission Income	5,733	-	2,247	-	3,158	982	12,120
Total	**1,536**	**2,887**	**1,755**	**244**	**5,823**	**8,544**	**20,790**
Other Underwriting Expenses							(621)
Net Underwriting Result	**1,536**	**2,887**	**1,755**	**244**	**5,823**	**8,544**	**20,168**
General and administrative expenses							(25,972)
Investment Income							254
Other Income, Net							1
Insurance Operations' Deficit							(5,549)
KPIs							
Cession ratio	93.5%	3.0%	89.9%	51.2%	61.3%	58.3%	44.3%
Net earned premiums as % of GWP	7.4%	82.4%	7.6%	28.9%	42.9%	42.5%	48.2%
Net loss ratio	200.3%	89.6%	18.0%	85.2%	48.6%	(27.2%)	77.5%
Commission incurred as a % of of net earned premiums	94.9%	4.7%	138.6%	9.2%	15.5%	5.6%	10.5%
Commission received as a % of net earned premiums	266.7%	0.0%	258.6%	0.0%	42.6%	15.8%	16.8%
Underwriting surplus as a % of GWP	5.3%	4.7%	15.3%	1.6%	33.7%	58.4%	13.5%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Net underwriting results before accounting for other underwriting expenses amounted to SR20.8m in YTD13, whereby other insurance was the major contributor to net underwriting premiums as % of GWP (58.4%), followed by Marine insurance at (33.7%) and Engineering insurance at (15.3%). Net underwriting results excluding other underwriting expenses as % of GWP in Property insurance amounted to 5.3%, followed by Motor insurance (4.7%) and Marine insurance (1.6%).

Income statement by line of business analysis – YTD14

Table 6-8: Income statement by line of business – YTD14

SR in 000s	YTD14						
	Property	Motor	Engineering	Medical	Marine	Others	Total
Insurance Operations							
Gross Premiums Written	33,201	70,014	14,541	3,101	13,520	14,662	149,038
Less: Reinsurance Premium Ceded	(28,531)	-	(12,970)	(1,733)	(6,456)	(6,939)	(56,629)
Excess of Loss Premiums	(2,079)	(1,255)	(880)	(115)	(1,150)	(492)	(5,972)
Net Written Premiums	**2,590**	**68,759**	**691**	**1,253**	**5,914**	**7,230**	**86,437**
Change in Unearned Premiums	(535)	(8,042)	(330)	1,815	407	10	(6,675)
Net Premiums Earned	**2,055**	**60,717**	**361**	**3,068**	**6,321**	**7,240**	**79,762**
Gross Claims Paid	(76,589)	(67,424)	(1,390)	(8,419)	(975)	(6,658)	(161,455)
Reinsurers' Share of Gross Claims Paid	75,270	-	1,045	4,894	(382)	5,117	85,945
Change in Outstanding Claims, net	(155)	(106)	1,486	(2,146)	(1,604)	(3,040)	(5,564)
Net Claims Incurred	**(1,473)**	**(67,530)**	**1,141**	**(5,671)**	**(2,960)**	**(4,581)**	**(81,074)**
Policy Acquisition Costs	(2,600)	(3,167)	(1,025)	(418)	(1,119)	(375)	(8,704)
Reinsurance Commission Income	7,917	-	1,962	35	2,169	1,036	13,118
Total	**5,898**	**(9,980)**	**2,439**	**(2,986)**	**4,411**	**3,320**	**3,102**
Other Underwriting Expenses	-	-	-	-	-	-	(730)
Net Underwriting Result	**5,898**	**(9,980)**	**2,439**	**(2,986)**	**4,411**	**3,320**	**2,373**
General and administrative expenses							(29,119)
Investment Income							303
Other Income, Net							32
Insurance Operations' Deficit							(26,411)
KPIs							
Cession ratio	92.2%	1.8%	95.3%	59.6%	56.3%	50.7%	42.0%
Net earned premiums as % of GWP	6.2%	86.7%	2.5%	99.0%	46.8%	49.4%	53.5%
Net loss ratio	71.7%	111.2%	(316.2%)	184.8%	46.8%	63.3%	101.6%
Commission incurred as a % of of net earned premiums	126.5%	5.2%	283.9%	13.6%	17.7%	5.2%	10.9%
Commission received as a % of net earned premiums	385.2%	0.0%	543.5%	1.1%	34.3%	14.3%	16.4%
Underwriting surplus as a % of GWP	17.8%	(14.3%)	16.8%	(96.3%)	32.6%	22.6%	1.6%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Net underwriting results before accounting for other underwriting expenses amounted to SR3.1m in YTD14, whereby Marine insurance was the major contributor to net underwriting results as % of GWP (32.6%), followed by other insurance (22.6%) and Property insurance (17.8%). Net underwriting results excluding other underwriting expenses as % of GWP in Engineering insurance amounted to 16.8%, offset by a deficit in Motor insurance amounting to SR10.0m (negative 14.3%) followed by a deficit in Medical insurance amounting SR3.0m (negative 96.3%).

The various insurance lines of business along with their respective performance are presented, analysed and discussed in details in the following sections, showing highest to lowest performing.

6 - 6 - 1 - 3 Gross written premiums

Table 6-9: Gross written premiums

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR 11' - 13'	YoY 13' - 14'
Property	45,168	52,372	100,432	29,204	33,201	49.1%	13.7%
Motor	84,055	95,454	118,543	62,090	70,014	18.8%	12.8%
Engineering	22,900	22,204	19,155	11,481	14,541	(8.5%)	26.7%
Medical	17,506	10,296	20,808	15,011	3,101	9.0%	(79.3%)
Marine	31,661	35,283	39,032	17,258	13,520	11.0%	(21.7%)
Others	26,642	32,461	32,913	14,636	14,662	11.1%	0.2%
Total	**227,930**	**248,070**	**330,882**	**149,679**	**149,038**	**20.5%**	**(0.4%)**
Number of policies							Var.
Property	511	560	525	558	620	14	62
Motor	24,775	34,082	34,224	22,158	24,243	9,449	2,085
Engineering	132	158	152	228	199	20	(29)
Medical	35	44	51	406	215	16	(191)
Marine	4,715	5,708	6,662	3,675	3,537	1,947	(138)
Others	619	2,158	5,193	3,771	1,896	4,574	(1,875)
Total	**30,787**	**42,710**	**46,807**	**30,796**	**30,710**	**16,020**	**(86)**
Average GWP per policy (SR in 000s)							
Property	88.4	93.5	191.3	52.3	53.5	102.9	1
Motor	3.4	2.8	3.5	2.8	2.9	0.1	-
Engineering	173.5	140.5	126.0	50.4	73.1	(47.5)	23
Medical	500.2	234.0	408.0	37.0	14.4	(92.2)	(23)
Marine	6.7	6.2	5.9	4.7	3.8	(0.9)	(1)
Others	43.0	15.0	6.3	3.9	7.7	(36.7)	4
Total	**7.4**	**5.8**	**7.1**	**4.9**	**4.9**	**(0.3)**	**-**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Property GWP

Property premiums increased over the period under analysis at a CAGR of 49.1% from SR45.2m in FY11 to SR100.4m in FY13 mainly as a result of the increase in GWP related to Savola insurance policy by 300% as a result of large claims amounting to SR669.8m (YTD14 – SR 612.5m) on a gross level. Property premiums increased by 13.7% from SR29.2m in YTD13 to SR33.2m in YTD14 as a result of a major policy related to Arab Steel (a subsidiary of Al Itafaq Steel and Al Tuwairqi Group) amounting to SR2.8m written in Q1 of FY14.

Motor GWP

Motor premiums (which are mainly related to Riyad Bank auto leasing scheme) increased from SR84.1m in FY11 to SR118.5m in FY13 at a CAGR of 18.8% mainly as a result of the increase in the number of written policies by 9,449 policies due to an increase in Motor lending from Riyad Bank, while average GWP per policy remained stable over the period under analysis. Motor premiums increased by 12.8% from SR62.1m in YTD13 to SR70.0m in YTD14 as a result of the increase in Motor premiums from Riyad Bank motor leasing scheme by SR4.7m.

Engineering GWP

Engineering premiums decreased over the period under analysis at a CAGR of 8.5% from SR22.9m in FY11 to SR19.2m in FY13 mainly as a result of increased competition in the market. Engineering premiums increased from SR11.5m in YTD13 to SR14.5m in YTD14 by 26.7% mainly due to increased business from National Contracting Company (NCC).

Medical GWP

Medical premiums (which are mainly related to corporate accounts) decreased at a CAGR of 41.2% from SR17.5m in FY11 to SR10.3m in FY12 mainly as a result of the lack of stand-alone policies. Subsequently, Medical premiums increased significantly to SR20.8m in FY13 on the back of starting to offer stand-alone policies. The Company has limited appetite for Medical insurance, as reflected by the small sales team dedicated to this line of business. Medical premiums decreased from SR15.0m in YTD13 to SR3.1m in YTD14 by 79.3% mainly as a result of the loss/nonrenewal of some Medical policies due to claims history and increase in Medical prices.

Marine GWP

Marine premiums increased at a CAGR of 11.0% from SR31.7m in FY11 to SR39.0m in FY13 organically as a result of the increase in number of policies by 1,947, partially offset by the decrease in average gross written premium per policy from SR7k to SR6k over the same period. Marine premiums decreased from SR17.3m in YTD13 to SR13.5m in YTD14 by 21.7% primarily as a result of the decrease in shipment declarations (i.e. number of shipments) compared to prior periods.

Other GWP

Other gross written premiums mainly related to:

- Life insurance primarily in connection with mortgage loans from Riyad Bank (90% of total life insurance GWP) amounting to SR15.0m in FY13 (SR8.7m in YTD14);
- Employees' dishonesty insurance amounting to SR1.9m in FY13 (SR494k in YTD14);
- Public and products liability insurance amounting to SR4.8m in FY13 (SR500k in YTD14);
- Workmen compensation insurance amounting to SR2.5m in FY13 (SR1.9m in YTD14);
- Money insurance amounting to SR2.1m in FY13 (SR777k in YTD14); and
- Travel insurance amounting to SR1.9m in FY13 (SR201k in YTD14).

Table 6-10: GWP by distribution channel

SR in 000s	FY11	FY12	FY13	YTD13	YTD14	CAGR 11' - 13'	YoY 13' - 14'
Brokers	55,705	86,683	104,165	69,429	69,830	36.7%	0.6%
Direct	101,609	94,428	133,479	38,430	32,781	14.6%	(14.7%)
FAC inward insurance	7,054	3,846	6,771	5,566	2,775	(2.0%)	(50.2%)
Riyad Bank	63,562	63,113	86,467	36,255	43,652	16.6%	20.4%
Total	**227,930**	**248,070**	**330,882**	**149,679**	**149,038**	**20.5%**	**(0.4%)**
As a % of total							ppt
Brokers	24.4%	34.9%	31.5%	46.4%	46.9%	7.0	0.5
Direct	44.6%	38.1%	40.3%	25.7%	22.0%	(4.2)	(3.7)
FAC inward insurance	3.1%	1.6%	2.0%	3.7%	1.9%	(1.0)	(1.9)
Riyad Bank	27.9%	25.4%	26.1%	24.2%	29.3%	(1.8)	5.1

Source: Management information

Brokers GWP

Gross written premiums from policies written through the brokers' distribution channel increased at a CAGR of 36.9% from SR55.7m in FY11 to SR104.2m in FY13 due to a shift in the Company's strategy in mid FY12 towards the brokers' distribution channel. The decrease in average gross written premium per policy through brokers' distribution channel is mainly a result of the decrease in average GWP per policy related to Ace Brokers Ltd by 93.8% from SR65k in FY11 to SR4k in FY13 due to the increase in individual insurance policies from Saudi Aramco employees. This was also combined with the decrease in average GWP per policy related to Marsh Brokers from SR49k to SR19k as a result of policies related to SABB Bank employees. In YTD14, GWP from brokers remained relatively stable at SR69.8m compared to SR69.4m in YTD13.

Direct GWP

Gross written premiums from policies written directly decreased by 7.1% from SR101.6m in FY11 to SR94.4m in FY12 mainly due to the decrease in direct Medical insurance by SR12.1m on the back of the loss of Binzagar Group Medical policy (SR5.2m). In FY13, Gross written premiums from policies written directly increased to SR133.5m by 41.3% primarily due to the increase in direct Property insurance by SR39.7m. Gross written premiums from policies written directly decreased by 14.7% from SR38.4m in YTD13 to SR32.8m in YTD14 mainly due to the decrease in GWP from major direct business including: United Sugar Company (Marine), Binzagr (Marine) and Shade Corporation (Medical).

FAC inward insurance GWP

Inward insurance mainly related to reinsurance activities undertaken by the Company, whereby the Company's main inward insurance policies in FY13 were primarily related to Ace Arabia Cooperative Insurance Co (SR1.8m), Saudi United Cooperative Insurance (Wala'a) (SR1.0m) and U.C.A. Insurance Co. (SR0.7m). In YTD14 FAC inward insurance GWP dropped to SR2.8m by 50.2% compared SR5.6m in YTD13 due to reduced reinsurance support sought through the Company.

Riyad Bank GWP

Gross written premiums from policies written through Riyad Bank distribution channel remained relatively stable from FY11 (SR63.6m) to FY12 (SR63.1m). Subsequently, gross written premiums from policies written through Riyad Bank distribution channel increased to SR86.5m as a result of easing the lending process for both auto and house mortgage lending. Gross written premiums from policies written through Riyad Bank distribution channel increased by 20.4% from SR36.3m in YTD13 to SR43.7m in YTD14 as a result of the increase in policies related to the bank's auto leasing scheme.

Table 6-11: Top customers

SR in 000s			FY11			FY12			FY13			YTD13			YTD14				
SR in 000s	Rank*	Related party	New Business	Renewal	Total	New Business	Renewal	Total	New Business	Renewal	Total	New Business	Renewal	Total	New Business	Renewal	Total	CAGR 11' - 13'	YoY 13' - 14'
Riyadh Bank Motor Leasing-scheme	1	Yes	17,560	28,410	45,970	15,657	29,342	44,998	28,137	34,738	62,875	13,707	15,228	28,935	9,091	24,474	33,565	16.9%	16.0%
Al Azizia Panda United inc.	2	No	58	10,994	11,051	(3)	12,512	12,509	381	34,090	34,471	159	698	856	215	2,806	3,022	76.6%	252.8%
United Sugar Company Ltd.	3	No	-	9,577	9,577	-	9,850	9,850	709	20,055	20,764	357	2,950	3,307	98	2,283	2,381	47.2%	(28.0%)
Afia International Company	4	No	2	6,810	6,811	159	6,150	6,309	80	12,899	12,979	1	1,185	1,186	30	977	1,006	38.0%	(15.1%)
Riyad Bank A/C Housing Loan-life	5	Yes	36	6,676	6,712	4	11,115	11,118	-	12,531	12,531	-	6,099	6,099	1,800	6,048	7,848	36.6%	28.7%
Top 5 customers			**17,655**	**62,467**	**80,123**	**15,816**	**68,968**	**84,784**	**29,307**	**114,313**	**143,620**	**14,224**	**26,159**	**40,382**	**11,234**	**36,588**	**47,822**	**33.9%**	**18.4%**
					-			-			-			-			-		0.0%
Al Ittefaq Steel Product Company	6	No	226	-	226	6,633	282	6,915	1,388	10,515	11,903	1,388	11,061	12,449	4,581	9,801	14,382	626.5%	15.5%
Ace Brokers - Scheme	7	No	-	-	-	3,560	-	3,560	5,054	2,189	7,243	2,308	633	2,940	2,704	1,885	4,588	0.0%	56.1%
Riyad Bank Limited,	8	Yes	-	4,502	4,502	324	2,624	2,948	588	4,972	5,560	-	-	-	(30)	-	(30)	11.1%	0.0%
Binzagr Company	9	Yes	4,902	2,522	7,425	(3,448)	3,978	529	(16)	5,084	5,068	-	203	203	-	274	274	(17.4%)	34.7%
National Contracting Company Ltd.,	10	No	5,748	3,785	9,533	4,721	3,972	8,693	4,274	405	4,679	2,095	443	2,538	4,812	129	4,941	(29.9%)	94.6%
Top 10 customers			**28,531**	**73,277**	**101,808**	**27,605**	**79,824**	**107,429**	**40,594**	**137,478**	**178,073**	**20,014**	**38,499**	**58,513**	**23,299**	**48,677**	**71,976**	**32.3%**	**23.0%**

SR in 000s			FY11			FY12			FY13			YTD13			YTD14				
SR in 000s	Rank*	Related party	New Business	Renewal	Total	New Business	Renewal	Total	New Business	Renewal	Total	New Business	Renewal	Total	New Business	Renewal	Total	CAGR 11' - 13'	YoY 13' - 14'
					-			-			-			-			-		0.0%
Binzagr Company (Marine)	11	Yes	-	2,862	2,862	-	2,813	2,813	-	4,615	4,615	-	-	-	-	(494)	(494)	27.0%	0.0%
Rabie Saudi Foods	12	No	-	-	-	-	-	-	3,972	-	3,972	4,164	-	4,164	(1,374)	-	(1,374)	0.0%	(133.0%)
Riyad Bank A/C Housing Loan-property	13	Yes	4	2,212	2,216	1	2,588	2,589	-	3,448	3,448	-	1,186	1,186	-	1,690	1,690	24.7%	42.5%
Al Sharq Plastic Industries co.ltd	14	No	21	1,296	1,317	68	1,425	1,493	-	3,115	3,115	-	70	70	-	32	32	53.8%	(54.0%)
Saudi Industrial Resins	15	No	218	1,352	1,570	3	2,293	2,296	1	2,968	2,969	1	819	820	-	7	7	37.5%	(99.1%)
Top 15 customers			**28,774**	**80,998**	**109,772**	**27,677**	**88,944**	**116,620**	**44,568**	**151,623**	**196,191**	**24,179**	**40,575**	**64,754**	**21,925**	**49,912**	**71,838**	**33.7%**	**10.9%**
					-			-			-			-			-		0.0%
Other customers	NA	NA	31,506	86,652	118,158	39,620	91,829	131,449	46,026	88,665	134,691	29,422	55,504	84,925	16,120	61,081	77,200	6.8%	(9.1%)
																			0.0%
Total GWP			**60,280**	**167,650**	**227,930**	**67,297**	**180,773**	**248,070**	**90,594**	**240,288**	**330,882**	**53,601**	**96,078**	**149,679**	**38,045**	**110,993**	**149,038**	**20.5%**	**(0.4%)**
As % of total																			ppt
Top 5 customers			29.3%	37.3%	35.2%	23.5%	38.2%	34.2%	32.3%	47.6%	43.4%	26.5%	27.2%	27.0%	29.5%	33.0%	32.1%	8.3	5.1
																			-
Top 10 customers			47.3%	43.7%	44.7%	41.0%	44.2%	43.3%	44.8%	57.2%	53.8%	37.3%	40.1%	39.1%	61.2%	43.9%	48.3%	9.2	9.2
																			-
Top 15 customers			47.7%	48.3%	48.2%	41.1%	49.2%	47.0%	49.2%	63.1%	59.3%	45.1%	42.2%	43.3%	57.6%	45.0%	48.2%	11.1	4.9
																			-
Other customers			52.3%	51.7%	51.8%	58.9%	50.8%	53.0%	50.8%	36.9%	40.7%	54.9%	57.8%	56.7%	42.4%	55.0%	51.8%	(16.0)	(4.9)

Source: Management information

Gross written premiums for Motor insurance through Riyad Bank Motor leasing scheme increased at a CAGR of 16.9% from SR46.0m in FY11 to SR62.9m in FY13 mainly due to the increase in GWP from new business by SR10.6m, combined with the increase in GWP from existing policies by SR6.3m. GWP from Riyad Bank auto leasing scheme increased by 16.0% from SR28.9m in YTD13 to SR33.6m in YTD14 primarily driven by renewals at higher rates.

Three of the top 5 largest policies written by the Company are related to Savola subsidiaries (Al Azizia Panda, United Sugar Company and Afia International Company). The increase in the top 5 clients concentration from c. 37% in FY11 to c. 43% in FY13 is mainly a result of the increase in Al Azizia Panda GWP from SR11.1m in FY11 to SR12.5m in FY12 and SR34.5m in FY13, combined with the increase in GWP from United Sugar Company from SR9.6m in FY11 to SR20.8m in FY13 as a result of a large Property claim amounting to SR605.0m (SR1.9m after reinsurers' share). Customer concentration among the top 5 increased in YTD14 to 32.1% from YTD13 27.0%.

Riyadh Bank Housing loan mainly relates to life insurance in connection with mortgage loans issued by Riyad Bank. The increase from SR6.7m in FY11 to SR12.5m in FY13 and from SR6.1m in YTD13 to SR7.8m in YTD14 was mainly due to increased lending activities from Riyad Bank.

Rabie Saudi Foods Medical premium amounted to negative SR1.4m as the policy was cancelled in YTD14. Binzagr Company Marine policy was adjusted for SR494k as a result of less shipment declarations in YTD14.

6 - 6 - 1 - 4 Reinsurance

Table 6-12: Ceded premiums by line of business (including XoL)

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR 11' - 13'	YoY 13' - 14'
Property	42,638	48,732	97,298	27,317	30,611	51.1%	12.1%
Motor	1,611	4,352	3,020	1,840	1,255	36.9%	(31.8%)
Engineering	19,422	20,624	17,819	10,323	13,850	(4.2%)	34.2%
Medical	7,979	2,742	11,318	7,684	1,848	19.1%	(76.0%)
Marine	20,723	23,687	24,803	10,577	7,606	9.4%	(28.1%)
Others	14,232	16,606	16,900	8,531	7,431	9.0%	(12.9%)
Total	**106,605**	**116,743**	**171,158**	**66,271**	**62,601**	**26.7%**	**(5.5%)**
Cession ratio							ppt
Property	94.4%	93.0%	96.9%	93.5%	92.2%	2.5	(1.3)
Motor	1.9%	4.6%	2.5%	3.0%	1.8%	0.6	(1.2)
Engineering	84.8%	92.9%	93.0%	89.9%	95.3%	8.2	5.3
Medical	45.6%	26.6%	54.4%	51.2%	59.6%	8.8	8.4
Marine	65.5%	67.1%	63.5%	61.3%	56.3%	(1.9)	(5.0)
Others	53.4%	51.2%	51.3%	58.3%	50.7%	(2.1)	(7.6)
Total	**46.8%**	**47.1%**	**51.7%**	**44.3%**	**42.0%**	**5.0**	**(2.3)**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Facultative reinsurance is normally purchased by companies for individual risks not covered, or insufficiently covered, by their reinsurance treaties and for unusual risks.

Treaty reinsurance means that the ceding company (Al Alamiya) and the reinsurer has negotiated and executed a reinsurance contract. The reinsurer then covers the specified share of every insurance policy issued by the ceding company which falls within the scope of that contract.

There are two main types of treaty reinsurance, proportional and non-proportional. Under proportional reinsurance, one or more reinsurers take a stated percentage share of each policy that an insurer produces ("writes"). This means that the reinsurer will receive that stated percentage of the premiums and will pay the same percentage of claims. Under non-proportional reinsurance the reinsurer only pays out if the total claims suffered by the insurer in a given period exceed a stated amount, which is called the “deductible/excess”. Non-proportional treaties are commonly known as Excess of Loss (XoL) treaties.

Property ceded premiums

Property ceded premiums increased at a CAGR of 51.1% from SR42.6m in FY11 to SR97.3m in FY13 in line with the growth in gross written premiums. Property cession ratio increased by 2.5 ppt over the period under analysis from FY11 to FY13 on the back of the shift towards more facultative placements, mainly related to Savola Group (United Sugar Company and Al Azizia Panda) and Al Ittefaq Steel Product Company. Property insurance policies are covered by a quota share, first surplus, second surplus and an excess of loss treaty. Property ceded premiums increased by 12.1% from SR27.3m in YTD13 to SR30.6m in YTD14 in line with the increase in GWP (+SR4.0m).

Motor ceded premiums

Motor ceded premiums (Excess of loss treaty) increased at a CAGR of 170.2% from SR1.6m in FY11 to SR4.4m in FY12 in line with the increase in Motor cession ratio by 2.6 ppt on the back of reinsures increasing their rates as a result of Jeddah floods during FY11. Subsequently, Motor ceded premiums decreased to SR3.0m (30.6%) in FY13 on the back of the decrease in cession ratio by 2.0 ppt. Management explains the decrease in cession ratio in FY13 was a result of lower claim recoveries in FY12. Motor ceded premiums decreased from SR1.8m in YTD13 to SR1.3m in YTD14 (31.8%) mainly due to the decrease in MDP (Minimum Deposit Premium) as per treaty by 22.6% from SR3.1m in YTD13 to SR2.4m in YTD14 coupled with the decrease in premium adjustment rates from 2.34% to 1.55% over the same period.

Engineering ceded premiums

Engineering ceded premiums increased by 6.2% from SR19.4m in FY11 to SR20.6m in FY12 and the cession ratio from 84.8% to 92.9% over the same period as a result of the shift towards proportional reinsurance. The decrease in Engineering ceded premiums to SR17.8min FY13 (negative 13.6%) was mainly due to the decline in business during this year. Engineering cession ratio increased from c. 90% in YTD13 to c. 95% in YTD14 on the back of the increase in facultative reinsurance from SR1.1m to SR2.2m.

Medical ceded premiums

Medical ceded premiums decreased by 66.3% from SR8.0m in FY11 to SR2.7m in FY12 in line with the decrease in Medical gross written premiums by SR7.2m, combined with the increase in retention rate as per treaty from 15% in FY11 to 30% in FY12 and FY13. Subsequently, ceded premiums related to Medical insurance increased to SR11.3m in FY13 in line with the increase in Medical gross premiums written. Medical ceded premiums decreased from SR7.7m in YTD13 to SR1.8m in YTD14 (by 76%) in line with the decrease in GWP coupled with a stable MDP of SR240k.

Marine ceded premiums

Marine ceded premiums increased over the period under analysis from SR20.7m in FY11 to SR24.8m in FY13 in line with the growth in Marine gross written premiums. Marine cession ratio decreased partially by 1.9 ppt mainly as a result of the increase in the number of Marine policies, which are largely retained by the Company. Marine ceded premiums decreased from SR10.6m in YTD13 to SR7.6m in YTD14 (by 28.1%) mainly due to the decrease in policies with higher sum insured (where cession is typically higher) and the increase in lower sum insured commercial policies which are characterised by higher retentions.

Other ceded premiums

Other ceded premiums increased at a CAGR of 9.0% from SR14.2m in FY11 to SR16.9m in FY13 in line with the increase in other premiums written over the same period. Other ceded premiums are mainly related to Life insurance which has a retention rate of 50% from non-Riyadh Bank policies. Other ceded premiums decreased from SR8.5m in YTD13 to SR7.4m in YTD14 (by 12.9%) as a result of the decrease in cession ratio as per the group life treaty, for Riyad Bank.

Table 6-13: Treaties summary by line of business (proportional) for FY14

LOB	Number of Surplus lines	Risk	Capacity	Retention	Specialty RSA	Other reinsurers	Normal commissions	Cash loss limit
Property Specialty	2	QS	20000	30%	50%	20%	27.5%	2,000
		FS	280000	0	100%	-	25%	
		SS	-	0	-	-	25%	
Property Non-specialty	3	QS	20000	30%	50%	20%	27.5%	
		FS	120000	0	71%	29%	25%	
		SS	80000	0	100%	-	25%	
Engineering	3	QS	20000	30%	50%	20%	32%	2,000
		FS	180000	-	71%	29%	30%	
		SS	100000	-	100%	-	30%	
Marine	3	QS	28125	30%	50%	20%	33%	2,813
		FS	112500	-	71%	29%	30%	
		SS	49375	-	100%	-	30%	
Medical	1	QS	-	30%	-	70%	-	-
Group life - Riyad Bank	1	QS	-	25%	-	75%	-	-
Group life - Non Riyad Bank	1	QS	-	50%	-	50%	-	-

Source: Management information

Table 6-14: Treaties summary by line of business (non-proportional) for FY14

LOB	Limit up to	Deductible	Minimum deposit premium (MDP)
Property and Engineering risk	54,000	2,000	1,478
Property and Engineering Cat	317,000	4,000	2,330
Marine	192,750	1,750	2,133
Motor and Casualty	20000 except for Profin (SR8m) and Motor Third Party (SR 40m)	2,000	2,441
Medical	4,500	1,500	240
Group life	5,000	500	466

Source: Management information

Table 6-15: Credit rating and % share by reinsurer - proportional treaties – FY14

Reinsurer		% Share										
	S&P Rating	Property - QST	Property - Specialty FST	Property - Non-Specialty FST	Property - Non-Specialty SST	Engineering - QST & FST	Engineering - SST	Marine - QST & FST	Marine - SST	Medical	Group Life	Group Life
Scor Re	A+	15%	-	15%	-	15%	-	15%	-	-	-	-
Swiss Re	A+	0%	-	0%	-	0%	-	0%	-	-	-	75%
Mapfre Re	A-	4%	-	4%	-	4%	-	4%	-	-	-	-
R&V	AA-	10%	-	10%	-	10%	-	10%	-	-	-	-
Munich Re	AA-	0%	-	0%	-	0%	-	0%	-	100%	-	25%
Gen Re		0%	-	0%	-	0%	-	0%	-	-	100%	-
Total - External		**29%**	**0%**	**29%**	**0%**	**29%**	**0%**	**29%**	**0%**	**100%**	**100%**	**100%**
RSA	A	71%	100%	71%	100%	71%	100%	71%	100%	-	-	-
Total		**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Management information

Table 6-16: Credit rating and % share by reinsurer - nonproportional treaties - FY14

Reinsurer		% Share				
	S&P Rating	Property & Engineering Risk XL	Property & Engineering Cat XL Layers 1-2	Marine xl	Motor xl	Life xl
Hannover Retakaful	AA-	-	-	-	15%	-
R&V	AA-	10%	10%	12%	11%	-
Aspen Re	A	10%	10%	10%	-	-
Odyssey Re	A-	-	-	-	11%	-
Chaucer Synd.	A+	-	-	-	5%	-
Chubb Synd.	A+	-	-	15%	-	-
QBE Europe	A+	23%	28%	-	-	25%
Navigators (Millenium Synd.)	A+		-	16%	-	-
Hiscox Synd.	A	20%	8%	-	-	75%
Saudi Re	BBB+	-	-	-	-	-
Flagstone Suisse	A-	-	-	-	-	-
Markel International Insurance	A+	-	-	-	5%	-
Canopius Synd.	A+	13%	-	15%	6%	-
XL Re	A+	10%	10%	15%	15%	-
Berkely Re UK	A+	-	-	-	5%	-
Farady	A++	-	-	-	28%	-
Antares	A+	-	-	10%	-	-
Trans Re	A+	15%	5%	8%	-	-
Swiss Re	A+	-	30%	-	-	-
Total		**100%**	**100%**	**100%**	**100%**	**100%**

Source: Management information

6 - 6 - 1 - 5 Claims

Table 6-17: Gross and RI share of claims paid

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR 11' - 13'	YoY 13' - 14'
Property	35,053	11,469	177,138	2,578	76,589	124.8%	2870.9%
Motor	54,447	70,474	96,572	53,249	67,424	33.2%	26.6%
Engineering	7,333	5,121	2,416	855	1,390	(42.6%)	62.6%
Medical	8,610	9,801	12,529	5,033	8,419	20.6%	67.3%
Marine	6,681	11,689	18,929	9,524	975	68.3%	(89.8%)
Others	5,095	6,542	10,165	3,991	6,658	41.2%	66.8%
Gross claims paid	**117,218**	**115,096**	**317,749**	**75,230**	**161,455**	**64.6%**	**114.6%**
Property	31,994	10,880	174,319	2,295	75,270	133.4%	3179.6%
Motor	-	3,500	-	1,521	-	0.0%	(100.0%)
Engineering	4,498	3,629	1,571	556	1,045	(40.9%)	88.0%
Medical	4,867	4,756	4,987	1,501	4,894	1.2%	226.0%
Marine	1,492	6,769	12,053	6,391	(382)	184.2%	(106.0%)
Others	3,595	5,318	6,836	2,646	5,117	37.9%	93.4%
RI share of claims paid	**46,447**	**34,853**	**199,766**	**14,910**	**85,945**	**107.4%**	**476.4%**
Change in outstanding claims	(2,256)	10,644	(16,978)	4,385	(5,564)	174.3%	(226.9%)
Net claims incurred	73,027	69,599	134,961	55,936	81,074	35.9%	44.9%
RI share as % of gross claims paid						ppt	
Property	91.3%	94.9%	98.4%	89.0%	98.3%	7.1	9.3
Motor	0.0%	5.0%	0.0%	2.9%	0.0%	-	(2.9)
Engineering	61.3%	70.9%	65.0%	65.0%	75.2%	3.7	10.2
Medical	56.5%	48.5%	39.8%	29.8%	58.1%	(16.7)	28.3
Marine	22.3%	57.9%	63.7%	67.1%	(39.2%)	41.3	(106.3)
Others	70.6%	81.3%	67.3%	66.3%	76.9%	(3.3)	10.6
Total	**39.6%**	**30.3%**	**62.9%**	**19.8%**	**53.2%**	**23.2**	**33.4**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Table 6-18: Net claims incurred by line of business

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR 11' - 13'	YoY 13' - 14'
Property	4,747	624	7,474	4,306	1,473	25.5%	(65.8%)
Motor	55,190	54,258	112,849	45,874	67,530	43.0%	47.2%
Engineering	1,105	1,487	222	156	(1,141)	(55.2%)	(830.7%)
Medical	3,783	5,339	6,473	3,697	5,671	30.8%	53.4%
Marine	4,947	6,383	6,130	3,597	2,960	11.3%	(17.7%)
Others	3,255	1,508	1,812	(1,694)	4,581	(25.4%)	(370.5%)
Net loss ratio						ppt	
Property	232.2%	26.7%	227.1%	200.3%	71.7%	(5.1)	(128.6)
Motor	75.1%	66.9%	102.2%	89.6%	111.2%	27.1	21.6
Engineering	20.1%	62.4%	13.0%	18.0%	(316.2%)	(7.1)	(334.2)
Medical	49.2%	65.1%	66.2%	85.2%	184.8%	17.0	99.6
Marine	36.1%	53.6%	42.8%	48.6%	46.8%	6.7	(1.7)
Others	27.8%	10.5%	11.7%	(27.2%)	63.3%	(16.2)	90.5
Total	**64.0%**	**57.9%**	**87.1%**	**77.5%**	**11.6%**	**23.1**	**24.1**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Property's net loss ratio

Property net loss ratio was high in FY11 at 232.2% as a result of large claims originating from damages caused by Jeddah floods. Subsequently, Property net loss ratio decreased to 26.7% as no major claims were incurred during the year. In FY13, the Company incurred a significant claim related to United Sugar Company amounting to SR605m on a gross level and SR1.9m on a net level increasing the net loss ratio to 227.1%. Property net loss ratio decreased from 200.3% in YTD13 to reach 71.7% in YTD14 as the Company did not incur any major losses during YTD14.

Motor's net loss ratio

Motor net loss ratio decreased from 75.1% in FY11 to 66.9% in FY12 driven by the decrease in Motor GWP related to Riyad Bank Auto lending scheme as the Bank tightened lending, coupled with the fact that Motor net claims incurred were higher in FY11 due to Jeddah floods. The increase in net loss ratio to 102.2% in FY13 was a result of the increase in number of claims from Riyad Bank. Motor net loss ratio increased from 89.6% in YTD13 to 111.2% in YTD14 driven by the increase in frequency and number of claims from 10,137 to 11,528 over the period. Riyad Bank auto leasing scheme accounted for SR11.0m out of the total increase in Motor net claims incurred of SR21.7m from YTD13 to YTD14.

Engineering's net loss ratio

Engineering net loss ratio increased from 20.1% in FY11 to 62.4% in FY12 driven by the increase in net claims incurred over a relatively stable net earned premiums level, primarily related to one major claim for King Saud University amounting to SR408k on a net level. In FY13, no major Engineering claims were incurred. Accordingly, Engineering net loss ratio decreased to 13.0% over the same year. Engineering net loss ratio changed from 18.0% in YTD13 to negative 316.2% in YTD14 mainly driven by the decrease in outstanding claims reserves by SR3.5m on a gross level (SR1.0m on a net level) on the back of reduction in the estimated amount for outstanding claims based on the revised survey report.

Medical's net loss ratio

Medical net loss ratio increased from 49.2% in FY11 to 66.2% in FY13 driven mainly by Al Suhaimi Group Medical insurance policy. The policy was fully retained, and thus no reinsurance recoveries were received. Medical net loss ratio increased from 85.2% in YTD13 to 184.8% in YTD14 driven by SR2.8m of claims reported in YTD14 related to accidents that happened in previous years, coupled with the increase in Medical IBNR reserve.

Marine's net loss ratio

Marine net loss ratio increased from 36.1% in FY11 to 53.6% in FY12 as a result of 3 major claims related to policies with a high retention rate. Subsequently, in FY13 it decreased to 42.8% due to a claim that amounts to SR1.9m which was fully retained. Marine net loss ratio remained relatively stable between YTD13 and YTD14 as the Company did not incur any major claims during that period.

Others' net loss ratio

Others had a decreasing net loss ratio from 27.8% in FY11 to 11.6% in FY13 as a result of the increase in Group Life insurance, which has a lower loss ratio as compared to other general and accident insurance types. Others net loss ratio increased from negative 27.2% in YTD13 to 63.3% in YTD14 as a result of 3 employee dishonesty claims amounting to SR1.2m related to Aziza Panda and another employee dishonesty claim amounting to SR500k related to Al-Quraishi Group.

6 - 6 - 1 - 6 Policy acquisition costs (PAC)

Table 6-19: Policy acquisition costs (PAC)

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR 11' - 13'	YoY 13' - 14'
Property	2,079	2,564	3,720	3,035	3,138	33.8%	3.4%
Motor	8,456	3,513	5,772	4,103	3,868	(17.4%)	(5.7%)
Engineering	2,886	2,582	2,529	1,528	1,861	(6.4%)	21.8%
Medical	189	620	1,119	798	72	143.3%	(91.0%)
Marine	1,639	1,917	2,542	1,164	1,244	24.5%	6.9%
Others	766	707	699	522	360	(4.5%)	(31.1%)
Coommissions paid	**16,015**	**11,903**	**16,381**	**11,149**	**10,542**	**1.1%**	**(5.4%)**
Change in DAC	375	1,308	(1,338)	(3,591)	(1,838)	na	(48.8%)
Total	**16,390**	**13,211**	**15,043**	**7,559**	**8,704**	**(4.2%)**	**15.2%**
Commissions paid as a % of GWP						ppt	
Property	4.6%	4.9%	3.7%	10.4%	9.5%	(0.9)	(0.9)
Motor	10.1%	3.7%	4.9%	6.6%	5.5%	(5.2)	(1.1)
Engineering	12.6%	11.6%	13.2%	13.3%	12.8%	0.6	(0.5)
Medical	1.1%	6.0%	5.4%	5.3%	2.3%	4.3	(3.0)
Marine	5.2%	5.4%	6.5%	6.7%	9.2%	1.3	2.5
Others	2.9%	2.2%	2.1%	3.6%	2.5%	(0.8)	(1.1)
Total	**7.0%**	**4.8%**	**5.0%**	**7.4%**	**7.1%**	**(2.1)**	**(0.4)**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Commission rates for agents and brokers are agreed on a case by case basis. As per SAMA regulations for commissions paid, commission rates should not exceed 15% of premiums for all lines of business except for compulsory Motor and compulsory Medical insurance (commissions should not exceed 8% for those 2 lines of business) as per SAMA's requirements.

Commissions paid decreased by 25.7% from SR16.0m in FY11 to SR11.9m in FY12 mainly as a result of the decrease in commissions paid to IHB by SR4.0m in connection with its Auto Leasing Scheme. Commissions paid increased to SR16.4m in FY13 by 37.6% primarily as a result of the increase in commissions paid to other brokers by SR2.4m.

Policy acquisition costs increased by 15.2% from SR7.6m in YTD13 to SR8.7m in YTD14 as a result of the change in DAC as at 30 June 2014 compared to 30 June 2013.

Property PAC

Property commissions paid as a % of GWP decreased in FY13 to 3.7% (4.6% in FY11), mainly due to Savola group, a direct customer, renewing at 300% premium increase due to previous large loss experience in subsidiaries United Sugar and Azizia Panda. Property commissions paid as a % of GWP was at 10.4% in YTD13 and 9.5% in YTD14 mainly due to the new Arab Steel policy which was retained through a broker.

Motor PAC

Motor commissions paid as % of GWP decreased from 10.1% in FY11 to 4.9% in FY13 as 12.5% of brokerage fees in connection with Riyad Bank's Auto leasing portfolio were being paid in FY11. Starting FY12, the Company managed Riyad Bank Auto Leasing portfolio directly, thereby saving on brokerage commissions. Motor commissions paid as a % of GWP decreased from 6.6% in YTD13 to 5.5% in YTD14 as a result of previous year commissions (FY09 and FY10) amounting to SR800k adjusted in YTD13. The Company pays zero commissions on Motor policies written through Riyad Bank's auto leasing scheme.

Engineering PAC

Engineering commissions paid as % of GWP, which are mainly paid to brokers (c. 72% of total Engineering commissions paid), remained relatively stable over the period under analysis at an average of c. 13.0%.

Medical PAC

Medical commissions paid as % of GWP increased from 1.1% in FY11 to 5.4% in FY13 mainly as a result of the increase in Medical GWP from brokers by SR10.6m, combined with increased commission related to Trust Group from 4.0% in FY11 to 9.2% in FY13 in connection with policies primarily related to Rabie Saudi Foods and AlSuhaimi Group. Medical commissions paid as a % of GWP decreased from 5.3% in YTD13 to 2.3% in YTD14 mainly due to the loss of Rabie Saudi Foods policy which was retained through a broker.

Marine PAC

Marine commissions as % of GWP increased from 5.2% in FY11 to 6.5% in FY13 as a result of the increase in Marine GWP from brokers increasing from 32% of total Marine portfolio in FY11 to 35% in FY12 and 38% in FY13. Marine commissions paid as a % of GWP increased from 6.7% in YTD13 to 9.2% in YTD14 as a result of decreased direct business that is not subject to commissions.

Other PAC

Other commissions paid are mainly related to commissions paid to Marsh Saudi Arabia Insurance & Reinsurance Brokers and Willis Saudi Arabia Company Ltd whereby the majority of commissions paid are related to Employee Dishonesty Insurance and Workmen Compensation Insurance. Other commissions paid as a % of GWP decreased from 3.6% in YTD13 to 2.5% in YTD14 mainly due to the increase in direct Group Life business.

6 - 6 - 1 - 7 Reinsurance commissions

Table 6-20: Reinsurance commission income

SR in 000s	FY11 Audited	FY12 Audited	FY13 Audited	YTD13 Reviewed	YTD14 Reviewed	CAGR 11' - 13'	YoY 13' - 14'
Property	8,809	9,671	16,115	5,473	6,485	35.3%	18.5%
Motor	-	-	-	-	-	0.0%	na
Engineering	5,130	5,346	4,627	2,761	3,730	(5.0%)	35.1%
Medical	-	-	-	-	35	0.0%	na
Marine	5,343	7,432	6,961	2,973	1,734	14.1%	(41.7%)
Others	1,539	2,314	1,511	1,360	1,518	(0.9%)	11.6%
RI commissions received	**20,821**	**24,763**	**29,214**	**12,568**	**13,502**	**18.5%**	**7.4%**
Change in unearned RI commissions	(1,496)	(3,295)	(1,041)	(448)	(384)	(16.6%)	(14.3%)
Total	**19,326**	**21,468**	**28,173**	**12,120**	**13,118**	**20.7%**	**8.2%**

RI commissions received as % of ceded premiums						ppt	
Property	20.7%	19.8%	16.6%	20.0%	21.2%	(4.1)	1.1
Motor	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
Engineering	26.4%	25.9%	26.0%	26.7%	26.9%	(0.4)	0.2
Medical	0.0%	0.0%	0.0%	0.0%	1.9%	-	1.9
Marine	25.8%	31.4%	28.1%	28.1%	22.8%	2.3	(5.3)
Others	10.8%	13.9%	8.9%	15.9%	20.4%	(1.9)	4.5
Total	**19.5%**	**21.2%**	**17.1%**	**19.0%**	**21.6%**	**(2.5)**	**2.6**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Property reinsurance commission income

Property reinsurance commission income received increased from SR8.8m in FY11 to SR16.1m in FY13 at a CAGR of 35.3% in line with the increase in Property ceded premiums, offset by the decrease in Property reinsurance commissions received as % of Property ceded premiums due to the change in the reinsurance commission rate from 28.5% in FY11 to 25.0% in FY13 as per treaty. Property reinsurance commission income received increased by 18.5% from SR5.5m in YTD13 to SR6.5m in YTD14 due to the increase in facultative placements commission rates.

Engineering reinsurance commission income

The fluctuations related to the Engineering reinsurance commissions received are in line with the fluctuations in Engineering ceded premiums. Engineering reinsurance commission income received increased by 35.1% from SR2.8m in YTD13 to SR3.7m in YTD14 in line with the increase in Engineering ceded premiums over the same period.

Medical reinsurance commission income

Medical reinsurance commission income received amounting to SR35k in YTD14, mainly related to a witholding tax adjustment payable to reinsurers as no reinsurance commissions are applicable on the Medical line of business as per treaty.

Marine reinsurance commission income

The fluctuations related to the Marine reinsurance commissions paid over the period under analysis were mainly a result of the fluctuations in Marine non-proportional ceded premiums over the same period. Marine reinsuance commissions receieved decreased by 41.7% from SR3.0m in YTD13 to SR1.7m in YTD14 due to the customer mix effect where lower sum insured commerical business increased versus a decrease in corporate large customers which are usually characterized by higher RI commissions.

Others reinsurance commission income

The decrease in others reinsurance commissions received as a % of ceded premiums is mainly due to the increase in retention rates related to Group Life insurance.

Group Life reinsurance has a fixed cession ratio as per treaty based on the sum insured. Accordingly, any additional premium obtained from clients is being booked by the Company as reinsurance commission income.

Motor and Medical are not subject to RI commissions as per their related treaties.

6 - 6 - 1 - 8 General and administrative expenses

Table 6-21: Operating expenses

SR in 000s	FY11			FY12			FY13			YTD13			YTD14				
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	CAGR 11' - 13'	YoY 13' - 14'
Salaries and benefits	29,288	600	29,888	34,576	350	34,926	35,932	325	36,257	17,216	163	17,379	17,981	163	18,144	10.1%	4.4%
End of service benefits	2,014	-	2,014	2,276	-	2,276	1,526	-	1,526	1,000	-	1,000	1,172	-	1,172	(12.9%)	17.2%
Remuneration of the Board of directors	-	500	500		488	488	-	465	465	-	233	233	-	233	233	(3.6%)	0.0%
Outsourced service charges	6,977	-	6,977	6,900	-	6,900	6,000	-	6,000	3,500	-	3,500	2,800	-	2,800	(7.3%)	(20.0%)
Rent	1,487	-	1,487	1,745	-	1,745	1,560	-	1,560	915	-	915	553	-	553	2.4%	(39.6%)
Provision for doubtful debts	8,562	-	8,562	(4,570)	-	(4,570)	(1,571)	-	(1,571)	(2,742)	-	(2,742)	279	-	279	na	(110.2%)
Depreciation	846	-	846	701	-	701	605	-	605	418	-	418	277	-	277	(15.5%)	(33.7%)
Professional fees	3,034	900	3,934	724	639	1,363	1,843	-	1,843	680	100	780	1,050	100	1,150	(31.6%)	47.4%
Business travel and transport	2,287	-	2,287	3,967	-	3,967	2,025	-	2,025	1,160	-	1,160	962	-	962	(5.9%)	(17.1%)
IT related services	1,390	-	1,390	4,009	-	4,009	3,081	-	3,081	1,996	-	1,996	1,500	-	1,500	48.9%	(24.8%)
Utilities	995	-	995	1,349	-	1,349	1,037	-	1,037	541	-	541	431	-	431	2.1%	(20.3%)
Stationery	219	-	219	402	-	402	425	-	425	128	-	128	213	-	213	39.4%	66.4%
Promotion and advertising	1,200	-	1,200	109	-	109	129	-	129	499	-	499	375	-	375	(67.2%)	(24.8%)
Others	830	433	1,262	1,032	443	1,474	1,390	1,027	2,417	661	311	972	1,526	225	1,751	38.4%	80.1%
Total	**59,128**	**2,433**	**61,561**	**53,220**	**1,920**	**55,140**	**53,982**	**1,817**	**55,799**	**25,972**	**807**	**26,779**	**29,119**	**721**	**29,840**	**(4.8%)**	**11.4%**
As % of GWP																ppt	
Salaries and benefits	12.8%	0.3%	13.1%	13.9%	0.1%	14.1%	10.9%	0.1%	11.0%	11.5%	0.1%	11.6%	12.1%	0.1%	12.2%	(2.2)	0.6
End of service benefits	0.9%	0.0%	0.9%	0.9%	0.0%	0.9%	0.5%	0.0%	0.5%	0.7%	0.0%	0.7%	0.8%	0.0%	0.8%	(0.4)	0.1
Remuneration of the Board of directors	0.0%	0.2%	0.2%	0.0%	0.2%	0.2%	0.0%	0.1%	0.1%	0.0%	0.2%	0.2%	0.0%	0.2%	0.2%	(0.1)	0.0

SR in 000s	FY11			FY12			FY13			YTD13			YTD14				
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	CAGR 11' - 13'	YoY 13' - 14'
Outsourced service charges	3.1%	0.0%	3.1%	2.8%	0.0%	2.8%	1.8%	0.0%	1.8%	2.3%	0.0%	2.3%	1.9%	0.0%	1.9%	(1.2)	(0.5)
Rent	0.7%	0.0%	0.7%	0.7%	0.0%	0.7%	0.5%	0.0%	0.5%	0.6%	0.0%	0.6%	0.4%	0.0%	0.4%	(0.2)	(0.2)
Provision for doubtful debts	3.8%	0.0%	3.8%	(1.8%)	0.0%	(1.8%)	(0.5%)	0.0%	(0.5%)	(1.8%)	0.0%	(1.8%)	0.2%	0.0%	0.2%	(4.2)	2.0
Depreciation	0.4%	0.0%	0.4%	0.3%	0.0%	0.3%	0.2%	0.0%	0.2%	0.3%	0.0%	0.3%	0.2%	0.0%	0.2%	(0.2)	(0.1)
Professional fees	1.3%	0.4%	1.7%	0.3%	0.3%	0.5%	0.6%	0.0%	0.6%	0.5%	0.1%	0.5%	0.7%	0.1%	0.8%	(1.2)	0.3
Business travel and transport	1.0%	0.0%	1.0%	1.6%	0.0%	1.6%	0.6%	0.0%	0.6%	0.8%	0.0%	0.8%	0.6%	0.0%	0.6%	(0.4)	(0.1)
IT related services	0.6%	0.0%	0.6%	1.6%	0.0%	1.6%	0.9%	0.0%	0.9%	1.3%	0.0%	1.3%	1.0%	0.0%	1.0%	0.3	(0.3)
Utilities	0.4%	0.0%	0.4%	0.5%	0.0%	0.5%	0.3%	0.0%	0.3%	0.4%	0.0%	0.4%	0.3%	0.0%	0.3%	(0.1)	(0.1)
Stationery	0.1%	0.0%	0.1%	0.2%	0.0%	0.2%	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0	0.1
Promotion and advertising	0.5%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%	0.3%	0.3%	0.0%	0.3%	(0.5)	(0.1)
Others	0.4%	0.2%	0.6%	0.4%	0.2%	0.6%	0.4%	0.3%	0.7%	0.4%	0.2%	0.6%	1.0%	0.2%	1.2%	0.2	0.5
Total	**25.9%**	**1.1%**	**27.0%**	**21.5%**	**0.8%**	**22.2%**	**0.0%**	**0.0%**	**0.0%**	**17.4%**	**0.5%**	**17.9%**	**19.5%**	**0.5%**	**20.0%**	**(27.0)**	**2.1**
Number of employees			114			131			124			124			129	10	5
Average annual salary per employee (SR000s)			262			267			292			140			141	30	0

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Salaries and benefits

Salaries and benefits per employee increased from SR262k in FY11 to SR292k in FY13 as a result of the cost associated with the salaries of several key management personnel during FY12 and FY13. Salaries and benefits partially increased from YTD13 to YTD14, driven by the increase in number of employees from 124 to 129, respectively. In addition, cumulative board of directors' remunerations amounted to SR1.4m between FY11 and FY13. Finally, the top five executive management remunerations between FY 11 and FY 13 amounted to a total of SR 18.4m.

End of service benefits

End of service increased partially from SR2.0m in FY11 to SR2.3m in FY12 by 13.0% in line with the increase in the number of employees from 114 in FY11 to 131 in FY12. In FY13, it decreased to SR1.5m with the number of employees decreasing to 124. It increased partially from SR1.0m in YTD13 to SR1.2m in YTD14 by 17.2% also as a result of the increase in number of employees from 124 to 129, respectively.

Outsourced service charges

Outsourced service charges related to payments for technical services provided by RSA Group.

Rental charges

Rental charges increased by 17.4% from SR1.5m in FY11 to SR1.7m in FY12 mainly due to office space rental for a new scheme for travel insurance with an annual rent of SR371k. In FY13, rental charges decreased to SR1.6m as a result of suspending this scheme. Moreover, annual rent related to Al Khobar office was no longer being paid as the team moved to Riyadh. Rental charges decreased further in YTD14 to SR553k compared to SR915k in YTD13 as the Company optimized its rented area utilization.

Provision for doubtful debts

Provision for doubtful debts decreased from SR8.6m in FY11 to negative SR1.6m in FY13 as the Company maintains its allowance for doubtful debts at the stipulated rates based on the SAMA regulations. In YTD14, the Company recorded additional provisions of SR279k driven by the increase in premiums receivable in order to maintain required percentage provisions as per SAMA.

Professional fees

Professional fees decreased by 65.3% from SR3.9m in FY11 to SR1.4m in FY12 mainly as a result of the reversal of portfolio transfer provision, combined with the decrease in economic services fees related to managing the share register at Tadawul, which was stopped in FY12-Q1. In FY13, professional fees related to shareholders' operations were reclassified under other expenses. Professional fees increased by 47.4% from SR780k in YTD13 to SR1.2m in YTD14 mainly due to additional fees to Tax and Zakat consultants.

Business travel and transport

Business travel and transport increased by 73.5% from SR2.3m in FY11 to SR4.0m in FY12 as a result of a one-time expense relating to RSA Group performance improvement team's travel to review and improve the operations of the Company. In FY13, it decreased to SR2.0m by 49.9% as the Company adopted more strict cost control measures where mandatory pre-approval from senior management is required. Consequently, business travel and transport continued to decrease by 17.1% reaching SR962k in YTD14 compared to SR1.2m in YTD13.

IT related services

IT related services increased by 188.4% from SR1.4m in FY11 to SR4.0m in FY12 as a result of double booking regarding a project in FY10 which amounted to SR2.7m and it was reversed in FY11. However, in FY13 it decreased by 23.2% amounting to SR3.1m as a result of less spending regarding new IT projects. IT related services decreased by 24.8% from SR2.0m in YTD13 to SR1.5m in YTD14 due to cost reduction measures being implemented.

Utilities

Utilities, mainly related to telephone and electricity expenses, increased by 35.3% from SR995k in FY11 to SR1.3m in FY12 mainly as a result of the Company extending its operations by opening strategy offices with Riyad Bank auto leasing scheme and the selling of travel insurance through VFS offices. In FY13, it decreased by 23.1% amounting SR1.0m due to a centralization policy and the relocation of Al Khobar office employees to Riyadh office. Utilities decreased by 20.3% from SR541k in YTD13 to SR431k in YTD14 as a result of a strategy to rationalize costs.

Stationery

Stationery increased at a CAGR of 39.4% from SR219k in FY11 to SR425k in FY13 on the back of the Company printing its full financial statements and board of directors' packs for board meetings. Stationery increased by 66.4% from SR128k in YTD13 to SR213k in YTD14 in line with the growth in business.

Promotion and advertising

Promotion and advertising decreased by 67.2% from SR1.2m in FY11 to SR129k in FY13 primarily as it is relative to the budget set which was subsequently reduced due to underutilization of the budget. Subsequently, it decreased by 24.8% from SR499k in YTD13 to SR375k in YTD14.

Other expenses

Other expenses mainly relate to SAMA and CCHI fees, conference cost, entertainment and miscellaneous charges for postage & courier.

6 - 6 - 2 Balance sheets

Table 6-22: Statement of financial position

SR in 000s	31 Dec 2011 Audited	31 Dec 2012 Audited	31 Dec 2013 Audited	30 Jun 2014 Reviewed
Insurance operations' assets				
Cash and cash equivalents	13,951	12,503	40,462	3,651
Term deposits	30,056	45,280	83,914	74,435
Investments	2,473	1,923	1,923	1,923
Premiums and insurance balances receivable	91,363	73,056	77,173	101,877
Reinsurers' share of unearned premiums	36,426	38,856	69,122	52,532
Reinsurers' share of outstanding claims	90,374	84,477	596,367	466,592
Deferred policy acquisition costs	5,998	4,690	6,028	7,866
Prepayments and other assets	1,769	5,147	5,004	8,015
Due from related parties	25,505	34,814	1,257	959
Due from shareholders' operations	32,048	27,656	49,321	75,732
Property and equipment, net	987	1,140	855	1,211
Total insurance operations' assets	**330,950**	**329,543**	**931,426**	**794,793**
Shareholders' assets				
Cash and cash equivalents	24,456	30,879	9,959	10,145
Term deposits	118,205	90,743	115,627	116,107
Other receivables	69	430	425	529
Investments	-	27,186	27,405	27,554
Due from insurance operations-current account	11,387	4,434	-	-
Statutory deposit	20,000	20,000	20,000	20,000
Total shareholders' assets	**174,117**	**173,671**	**173,416**	**174,336**

SR in 000s	31 Dec 2011 Audited	31 Dec 2012 Audited	31 Dec 2013 Audited	30 Jun 2014 Reviewed
Total assets	**505,066**	**503,215**	**1,104,842**	**969,129**
Insurance operations' liabilities				
Accounts payable	11,035	8,250	3,769	3,096
Reinsurance balances payable	31,839	35,852	75,913	72,386
Unearned reinsurance commission	4,544	7,839	8,880	9,264
Unearned premiums	90,252	103,792	138,748	128,833
Outstanding claims	151,176	134,635	663,503	539,292
Accrued expenses and other liabilities	23,903	20,280	27,776	30,101
Due to shareholders' operations-Current account	11,387	4,434	-	-
Due to related parties	-	5,436	3,154	2,770
Surplus distribution payable	-	488	488	488
End of service indemnities	6,813	8,538	9,195	8,563
Total insurance operations' liabilities	**330,950**	**329,543**	**931,426**	**794,793**
Shareholders' liabilities				
Due to a related party	679	1,057	1,058	1,058
Accrued expenses and other liabilities	5,074	7,541	9,930	11,255
Due to insurance operations	32,048	27,656	49,321	75,732
Total shareholders' liabilities	**37,801**	**36,255**	**60,309**	**88,045**
Shareholders' equity				
Share capital	200,000	200,000	200,000	200,000
Unrealized gain	-	411	209	527
Retained earnings (accumulated losses)	(63,684)	(62,994)	(87,102)	(114,236)
Total shareholders' equity	136,316	137,417	113,107	86,291
Total liabilities and shareholders' equity	505,066	503,215	1,104,842	969,129
KPI's				
Deffered acquisition costs / commissions paid	37.5%	39.4%	36.8%	74.6%
Unearned RI commission / commission received	21.8%	31.7%	30.4%	68.6%
UPR / GWP	39.6%	41.8%	41.9%	86.4%
Net OCR / net claims incurred	83.3%	72.1%	49.7%	89.7%
RI share of outstanding claims and IBNR / gross OCR and IBNR	59.8%	62.7%	89.9%	86.5%
RI share of UPR / gross UPR	40.4%	37.4%	49.8%	40.8%
ROA	(3.6%)	0.8%	(2.0%)	(2.7%)
ROE	(14.2%)	3.0%	(19.6%)	(30.1%)

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

DAC (Deferred acquisition cost) to commission paid, Unearned RI commission to commission received, UPR (Unearned premium reserve) to GWP and net OCR (Outstanding claims reserve) to net claims incurred ratios increased significantly across all lines of business as at 30 June 2014 due to the fact that commissions paid, RI commissions received, GWP and net claims incurred represented respectively 6 months figures as at 30 June 2014, versus full year figures as at 31 December 2011, 2012 and 2013.

Term deposits

Term deposits mainly related to deposits placed in local banks with maturity of more than 3 months. Investment income on term deposits amounted to an average of 0.8% per annum.

Investments - Insurance Operations

Insurance operations' investments of SR1.9m as at 30 June 2014 related to the Company's share in the capital of Najm for Insurance Services. This investment has been carried out at cost. Management's opinion is that fair market value of this investment is not materially different from its carrying value.

Premiums and insurance balances receivable

Premiums and insurance balances receivable decreased from SR91.4m as at 31 Dec 2011 to SR77.2m as at 31 Dec 2013 mainly due to the decrease in receivables from insurance and reinsurance related parties by SR34.1m over the same period due to better collections. As at 30 June 2014, premiums and insurance receivables increased to SR101.9m on the back of the increase in receivables from related parties by SR11.3m and premiums receivable by SR7.8m.

Reinsurers' share of unearned premiums

Reinsurers' share of unearned premiums increased from SR36.4m as at 31 Dec 2011 to SR69.1m as at 31 Dec 2013 mainly due to the increase in UPR related to Property over the same period. As at 30 June 2014, RI share of UPR decreased to SR52.5m mainly due to the decrease in Property reinsurance share of UPR by SR17.9m, in line with the decrease in Property UPR by SR17.3m, respectively.

Reinsurers' share of outstanding claims

Reinsurers' share of outstanding claims increased by SR506.0m over the historical period from 31 Dec 2011 to 31 Dec 2013 due to the large Savola claim related to Property insurance amounting to SR605m on a gross level. As at 30 June 2014, it decreased to SR129.8m due to the settlement of the claim.

Deferred acquisition costs

Deferred acquisition costs amounted to SR6.0m at 31 Dec 2013 (SR7.9m at 30 June 2014) with an overall DAC to commission paid ratio of 36.8% at 31 Dec 2013 (74.4% at 30 June 2014). DAC to commission paid, like UPR to GWP trends, depends largely on the time of the year when the policy comes in as well as the duration of the policy.

Prepayments and other assets

Prepayments and other assets amounted to SR8.0m at 30 June 2014, an increase of SR6.2m over 31 Dec 2011 largely related to the rights issue fees.

Due from related parties – Insurance Operations

Due from related parties increased from SR25.5m at 31 Dec 2011 to SR34.8m at 31 Dec 2012 mainly due to the increase in intercompany RSA (ME) balance by SR8.0m on the back of the portfolio transfer adjustments. The decrease in due from related parties to SR1.3m and SR1.0m as at 31 Dec 2013 and 30 June 2014 respectively was mainly a result of settling the balance related to the portfolio transfer adjustment.

Property and equipment

Property and equipment increased from SR987k as at 31 Dec 2011 to SR1.1m as at 31 Dec 2012 mainly due to additions in motor vehicles. Subsequently, as at 31 Dec 2013 it decreased to SR855k as a result of the depreciation charge from office equipment. Property and equipment balance increased to SR1.2m at 30 June 2014 mainly on the back of capital expenditure related to the purchase of software amounting to SR459k. The Board of directors confirms as at the date of this prospectus, that all significant fixed assets bought or rented have been disclosed in this prospectus.

Other receivables – shareholders

Other receivables related to shareholders' operations at 31 Dec 2013 are mainly related to accrued interest from shareholders' investments. The increase in other receivables from SR69k at 31 Dec 2011 to SR529k at 30 June 2014 was mainly due to accrued interest on bonds and Sukuk investments amounting to SR27.6m at 30 June 2014.

Investments – shareholders

Investments under shareholders' assets amounted to SR27.6m as at 30 June 2014 (nil as at 31 Dec 2011) mainly related to Sukuks from Saudi Electricity Company which comprised the majority of investments (70.1%).

Statutory deposit

Statutory deposit amounting to SR20m at 30 June 2014 represents 10% of the paid up capital of the Company which is maintained in accordance with the Cooperative Insurance Companies Control Law for Insurance Companies.

Accounts payables

Accounts payable balance is mainly related to amounts payable to agents and brokers. The decrease in accounts payable balance from SR11.0m at 31 Dec 2011 to SR3.1m at 30 June 2014 was mainly a result of the decrease in amounts due to agents and brokers from SR10.7m at 31 Dec 2011 to SR0.6m at 30 June 2014.

RI balances payable

Reinsurance balances payable increased from SR31.8m at 31 Dec 2011 to SR72.4m at 30 June 2014 in line with the increase in ceded premiums. Reinsurance balances payable at 30 June 2014 were mainly related to Marsh Saudi Arabia (SR30.4m), Munich Re (SR7.7m) and Swiss Re Life & Health Ltd (SR3.3m).

Unearned RI commission income

Unearned RI commission income increased by SR4.7m, from SR4.5m as at 31 Dec 2011 to SR9.3m as at 30 June 2014 in line with the increase in Property ceded premiums.

Unearned premiums

Unearned premiums increased from SR90.3m as at 31 Dec 2011 to SR138.7m as at 31 Dec 2013 mainly as a result of the change in GWP for Property insurance by SR31.2m and Motor insurance by SR15.2m over the same period. Subsequently, unearned premiums decreased to SR128.8m at 30 June 2014 mainly as a result of the change in GWP for Property insurance by SR17.3m. The increase in unearned premium reserve is a result of the increase in volume and timing of the business underwritten during the year. There has been no change to the basis of estimating the unearned premium reserves over the historical period.

Outstanding claims

Outstanding claims increased at a CAGR of 109.5% from SR151.2m as at 31 Dec 2011 to SR663.5m as at 31 Dec 2013 mainly due to an increase in Property outstanding claims by SR512.6m mostly in relation to the Savola major claim and Marine outstanding claims by SR3.3m, offset by the decrease in outstanding claims related to Engineering by SR5.0m over the same period. Subsequently, outstanding claims decreased to SR539.3m at 30 June 2014 on the back of the decrease in outstanding property claims by SR124.9m due to the settlement of a portion of the Savola claim.

Accrued expenses and other liabilities – Insurance Operations

Insurance operations' accrued expenses and other liabilities increased from SR23.9m as at 31 Dec 2011 to SR30.1m as at 30 June 2014 as a result of an increase in outsourced service charges payable by SR7.9m and withholding tax payable by SR2.0m.

Accrued expenses and other liabilities – shareholders

Shareholders' accrued expenses and other liabilities increased from SR5.1m as at 31 Dec 2011 to SR11.3m as at 30 June 2014 mainly as a result of an increase in accrued Zakat and income tax payable by SR5.2m over the same period.

Due to related parties – Insurance Operations

The increase in due to related parties by 257.1% from SR2.1m (netted off and classified under due from related parties in 2011) as at 31 Dec 2011 to SR5.4m at 31 Dec 2012 was mainly a result of the increase in RSA UAE balance by SR2.2m. Subsequently, due to related parties decreased by 42.6% to SR3.1m at 31 Dec 2013 and SR2.8m at 30 June 2014 on the back of the decrease in intercompany balances related to UAE operations combined with the decrease in Bahrain operations, partially offset by the increase in intercompany balance related to RSA ME.

End of service benefits

The increase in end of service benefits from SR6.8m at 31 Dec 2011 to SR8.5m at 31 Dec 2012 was mainly due to the decrease in settlements by SR2.3m. The increase in end of service benefits to SR9.2m at 31 Dec 2013 was mainly driven by the decrease in additional charges for the year by SR750k on the back of the decrease in the number of employees by 7 employees. At 30 June 2014, end of service benefits decreased to SR8.6m due to the increase in settlements to SR1.8m.

Investments

Table 6-23: Insurance operations' investments

SR in 000s	31-Dec-11	31-Dec-12	31-Dec-13	30-Jun-14
Equities	-	1,923	1,923	1,923
Investment fund	2,473	-	-	-
Total	**2,473**	**1,923**	**1,923**	**1,923**
As a % of total				
Equities	0.0%	100.0%	100.0%	100.0%
Investment fund	100.0%	0.0%	0.0%	0.0%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Insurance operations' investments

Insurance operations' investments as at 30 June 2014 amounting to SR1.9m related to the Company's share in the capital of Najm for Insurance Services. This investment has been carried out at cost. Management's opinion is that fair market value of this investment is not materially different from its carrying value.

Table 6-24: Shareholders' operations - Available for sale investments (AFS)

SR in 000s	31 Dec 2011 Audited	31 Dec 2012 Audited	31 Dec 2013 Audited	30 Jun 2014 Reviewed
Bonds				
Tourism Development Investment Co. (TDIC) (100% owned by Abu Dhabi Government)	-	4,003	3,845	3,748
Abu Dhabi National Energy Co. (TAQA) (51% owned by Abu Dhabi Government)	-	3,852	4,434	4,480
Sukuks				
Saudi Electricity company	-	19,331	19,125	19,326
Total	**-**	**27,186**	**27,405**	**27,554**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Shareholders' investments

Shareholders' investments are divided into local and international investments. Local investments include Sukuks, which amounted to SR19.1m as at 30 June 2014, comprising the majority of total shareholders' investments. International investments include TDIC, which is 100% owned by Abu Dhabi Government comprising 13.6% of total shareholders' investments as at 30 June 2014 and TAQA which is 51% owned by Abu Dhabi Government comprising 16.3% as at 30 June 2014.

Investment income from shareholders' available for sale investments ranged between a yearly interest yield of 2.1% to 2.8% in case of bonds and 2.4% in case of Sukuks.

6 - 6 - 2 - 1 Premiums and insurance balances receivable

Table 6-25: Premiums and insurance balance receivable, net

SR in 000s	31 Dec 2011 Audited	31 Dec 2012 Audited	31 Dec 2013 Audited	30 Jun 2014 Reviewed
Premiums receivable	49,281	54,858	48,968	56,813
Receivables from insurance and reinsurance companies	7,992	6,337	20,501	26,361
Receivables from related parties	54,377	27,576	20,229	31,507
Gross premium receivable	111,649	88,772	89,698	114,682
Allowance for doubtful debts	(20,286)	(15,716)	(12,525)	(12,805)
Total	**91,363**	**73,056**	**77,173**	**101,877**
KPIs				
Receivables / GWP	40.1%	29.4%	23.3%	68.4%
Days premium outstanding (Days)	179	131	99	140
Collection period (months)	6	4	3	5
Provision for doubtful debt as % of gross premiums receivable	18.2%	17.7%	14.0%	11.2%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Table 6-26: Premiums and insurance balance receivable, net

SR in 000s	31 Dec 2011 Audited	31 Dec 2012 Audited	31 Dec 2013 Audited	30 Jun 2014 Reviewed
Opening balance	11,724	20,286	15,716	12,525
Reversal for the year	8,562	(4,570)	(1,571)	279
Write off against the provision	-	-	(1,620)	-
Ending balance	**20,286**	**15,716**	**12,525**	**12,805**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Net receivables decreased from SR91.4m as at 31 Dec 2o11 to SR73.1m as at 31 Dec 2012 as result of a decrease in receivables from related parties. As at 31 Dec 2013, it reached SR77.2m growing by 5.6% mainly due to the increase in receivables from insurance and reinsurance companies, offset by a decrease in premiums receivable and receivables from related parties. As at 30 June 2014, it increased to SR101.9m as a result of an increase in premiums receivable from SR49.0m as at 31 Dec 2013 to SR56.8m as at 30 June 2014, coupled with the increase in receivables from related parties by SR11.3m over the same period.

As at 31 Dec 2012, Management performed a reversal of SR4.6m of doubtful debt provisions as the Company is maintaining allowance for doubtful debt provision based on SAMA regulations for balances aging more than 90 days. The Company’s DSO (Days of receivables outstanding) has accordingly improved over the period under analysis from 179 days at 31 Dec 2011 to 99 days at 31 Dec 2013.

The decrease in DSO over the period under analysis was mainly a result of better collections from related parties. However, DSO increased to 140 days as at 30 June 2014 as a result of the build-up in premiums receivable and receivables from related parties with lower collection efforts compared to year-ends.

Write-off against the provision amounting to SR1.6m as at 31 Dec 2013 primarily related to 4 main customers who defaulted on their debt mainly due to discontinued operations.

Table 6-27: Premiums and insurance balance receivable, net

SR in 000's	Total Debts	0-90 Days	91-180 Days	181-365 Days	> 365 Days
Gross					
Agents, Brokers	31,897	19,780	5,508	2,724	3,885
Policyholders	56,424	35,659	12,293	4,103	4,369
Reinsurers	26,361	15,663	2,277	6,274	2,146
	-				
Total	**114,682**	**71,102**	**20,078**	**13,100**	**10,401**
Allowance for doubtful debt					
Agents, Brokers	4,421	-	826	681	2,914
Policyholders	6,147	-	1,844	1,026	3,277
Reinsurers	2,237	-	-	627	1,610
Total	**12,805**	**-**	**2,670**	**2,334**	**7,800**
Net					
Agents, Brokers	27,476	19,780	4,682	2,043	971
Policyholders	50,278	35,659	10,449	3,077	1,092
Reinsurers	24,124	15,663	2,277	5,647	537
Total	**101,877**	**71,102**	**17,408**	**10,766**	**2,600**
SAMA's doubtful debt provisioning policy					
SAMA Policy-All others		0%	15%	25%	75%
Reinsurers		0%	0%	10%	75%
Insurance provision		-	2,670	1,707	6,191
Reinsurance provision		-	-	627	1,610
Total		**-**	**2,670**	**2,334**	**7,800**

Source: Management information

SAMA issued a new declaration effective 1 January 2011 stating that premiums receivable become fully due upon policy inception date instead of the due date. In addition, the provision of doubtful debt should be calculated on the balances that are due for more than 90 days based on the percentages stated in the Implementing Regulations.

SR43.6m (38.0%) of total premiums and insurance receivables were outstanding for more than 90 days as at 30 June 2014.

6 - 6 - 2 - 2 Deferred policy acquisition costs

Table 6-28: Deferred policy acquisition costs

SR in 000s	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2013 Audited"	"30 Jun 2014 Reviewed"
Opening balance	6,374	5,998	4,690	6,028
Incurred during the year	16,015	11,903	16,381	10,542
Amortized during the year	(16,390)	(13,211)	(15,043)	(8,704)
Ending balance	**5,998**	**4,690**	**6,028**	**7,866**
DAC / commission paid during the year	37.5%	39.4%	36.8%	74.6%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Table 6-29: Deferred policy acquisition costs by line of business

SR in 000s	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2013 Audited"	"30 Jun 2014 Reviewed"
Property	519	1,017	1,304	1,842
Motor	3,832	1,731	2,543	3,244
Engineering	874	891	820	1,656
Medical	46	335	452	106
Marine	493	470	668	793
Others	234	245	240	225
Total	**5,998**	**4,690**	**6,028**	**7,866**
As a % of commission paid by LoB				
Property	24.9%	39.7%	35.1%	58.7%
Motor	45.3%	49.3%	44.1%	83.9%
Engineering	30.3%	34.5%	32.4%	89.0%
Medical	24.5%	54.0%	40.4%	147.2%
Marine	30.1%	24.5%	26.3%	63.7%
Others	30.5%	34.7%	34.4%	62.5%
Total	**37.5%**	**39.4%**	**36.8%**	**74.6%**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

The Company calculates its DAC on a pro-rata temporis basis (i.e. pro-rata based on the term/period of the policy) for all lines of business except for Marine DAC which has been taken as net total of last three months commission expense and commission income i.e. in line with statutory requirement for Marine UPR.

DAC to commission paid trends depend largely on the time of the year when the policy comes in as well as the period of the policy, similar to UPR to GWP.

The changes in DAC to commission paid ratio by line of business are generally in line with the changes in UPR to GWP for most lines of business over the period, following the related term/validity of the corresponding policies.

DAC to commission paid across all lines of business increased significantly as at 30 June 2014 due to the fact that commission paid figures used represent only 6 months' worth of commissions (only for the first 6 months of FY14) compared to full year (12 months) figures as at 31 Dec 2011, 2012 and 2013.

6 - 6 - 2 - 3 Prepayments and other assets

Table 6-30: Prepayments and other assets

SR in 000s	31-Dec-11			31-Dec-12			31-Dec-13			30-Jun-14		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
Prepaid rent	104	-	104	293	-	293	249	-	249	459	-	459
Employees' housing advances	423	-	423	918	-	918	899	-	899	1,293	-	1,293
Employees' prepaid insurance	355	-	355	403	-	403	690	-	690	1,402	-	1,402
Others	886	69	956	3,534	430	3,964	3,165	425	3,590	4,861	529	5,390
Total	**1,769**	**69**	**1,838**	**5,147**	**430**	**5,577**	**5,004**	**425**	**5,429**	**8,015**	**529**	**8,544**
As % of total												
Prepaid rent	6%	-	6%	6%	-	5%	5%	-	5%	6%	-	5%
Employees' housing advances	24%	-	23%	18%	-	16%	18%	-	17%	16%	-	15%
Employees' prepaid insurance	20%	-	19%	8%	-	7%	14%	-	13%	17%	-	16%
Others	50%	100%	52%	69%	100%	71%	63%	100%	66%	61%	100%	63%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014 and Management information

Prepaid rent

Prepaid rent increased from SR104k as at 31 Dec 2011 to SR459k as at 30 June 2014 mainly due to a new contract for the Jeddah office with a start date of 1 Jan 2014, and thus the payment was made in Dec 2013 for SR192k and was accordingly recorded as a prepayment.

Employees' prepaid insurance

Employees' prepaid insurance increased from SR355k as at 31 Dec 2011 to SR1.4m as at 30 June 2014 mainly due to the policy period from 1 June to end of May. A partial impact is due to the increase in medical insurance prices and number of employees by 15 from 31 Dec 2011 to 30 June 2014.

Others

Others insurance operations were mainly related to prepayments made in connection with the rights issue. Other shareholder operations were mainly related to accrued interest.

6 - 6 - 2 - 4 Due from related parties – Insurance operations

Table 6-31: Prepayments and other assets

SR in 000s	Nature	31-Dec-11	31-Dec-12	31-Dec-13	30-Jun-14
Intercompany Oman	Operational	-	112	56	55
Intercompany ME	Operational	17,762	27,885	1,201	904
Intercompany RSA ME KSA Ops	Operational	7,743	6,817	-	1
Total		**25,505**	**34,814**	**1,257**	**959**

Source: Management Information

Due from related parties increased from SR25.5m at 31 Dec 2011 to SR34.8m at 31 Dec 2012 mainly due to the increase in intercompany RSA ME balance by SR10.1m on the back of portfolio transfer adjustments. The decrease in due from related parties to SR1.3m at 31 Dec 2013 was mainly a result of settling the balance related to the portfolio transfer adjustment. As at 30 June 2014, due from related parties decreased to SR959k mainly due to the decrease in intercompany ME balance by SR297k.

6 - 6 - 2 - 5 UPR and reinsurance share of UPR

Table 6-32: Prepayments and other assets

SR in 000s	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2013 Audited"	"30 Jun 2014 Reviewed"
Property	16,905	19,208	48,068	30,746
Motor	37,002	47,043	52,185	60,227
Engineering	9,852	10,360	9,555	15,175
Medical	9,290	6,364	8,745	4,865
Marine	8,595	9,106	8,265	7,134
Others	8,609	11,712	11,930	10,686
UPR	**90,252**	**103,792**	**138,748**	**128,833**
Property	15,804	16,802	45,819	27,962
Motor	-	-	-	-
Engineering	7,504	8,815	8,386	13,676
Medical	4,370	2,097	4,763	2,698

SR in 000s	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2013 Audited"	"30 Jun 2014 Reviewed"
Marine	4,100	4,920	4,172	3,448
Others	4,648	6,222	5,983	4,748
RI share of UPR	**36,426**	**38,856**	**69,122**	**52,532**
Net UPR	53,826	64,936	69,626	76,301
UPR as % of GWP				
Property	37.4%	36.7%	47.9%	92.6%
Motor	44.0%	49.3%	44.0%	86.0%
Engineering	43.0%	46.7%	49.9%	104.4%
Medical	53.1%	61.8%	42.0%	156.9%
Marine	27.1%	25.8%	21.2%	52.8%
Others	32.3%	36.1%	36.2%	73.0%
RI UPR as % of ceded premiums				
Property	37.1%	34.5%	47.1%	91.3%
Motor	0.0%	0.0%	0.0%	0.0%
Engineering	38.6%	42.7%	47.1%	98.7%
Medical	54.8%	76.5%	42.1%	146.0%
Marine	19.8%	20.8%	16.8%	45.3%
Others	32.7%	37.5%	35.4%	63.9%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Unearned premium reserve (UPR) is computed according to the pro-rata method based on GWP for all lines of business except for Marine where UPR is calculated by applying a fixed percentage of 25% to GWP.

Gross unearned premium reserve increased from SR90.3m as at 31 Dec 2011 to SR138.7m as at 31 Dec 2013 mainly due to the increase in unearned premiums in Property by SR31.2m and Motor by SR15.2m over the same period. Consistently, reinsurance share of unearned premium reserves increased from SR36.4m as at 31 Dec 2011 to SR69.1m as at 31 Dec 2013. As at 30 June 2014, gross unearned premium reserve decreased by SR9.9m amounting to SR128.8m mainly due to the decrease in Property unearned premium by SR17.3m. Consistently, reinsurance share of unearned premium reserves decreased to SR52.5m as at 30 June 2014 driven primarily by the decrease in Property RI share of UPR by SR17.9m.

Property and Motor UPR contributed to 70.6% of total gross UPR, while RI share of Property and Engineering UPR contributed together to 79.3% of total reinsurance share of UPR as at 30 June 2014.

Property

Property UPR/GWP and RI share of UPR/ceded premium ratios increased from 37.4% as at 31 Dec 2011 to 92.6% as at 30 June 2014 and from 37.1% to 91.3% respectively following the increase of Savola Group's premium, which represents around 60% of total Property portfolio.

Engineering

Engineering UPR/GWP and RI share of UPR/ceded premium ratios increased from 43.0% as at 31 Dec 2011 to 104.4% as at 30 June 2014 and from 38.6% to 98.7% respectively as Engineering business is project based and therefore there is no fixed pattern for earning the Engineering premium.

Marine

Marine UPR/GWP and RI share of UPR/ceded premium ratios decreased from 27.1% as at 31 Dec 2011 to 21.2% as at 31 Dec 2013 and then increased to 52.8% as at 30 June 2014 and from 19.8% to 16.8% and then to 45.3% respectively mainly as a result of Marine UPR representing only the last three months written premium (business from Marine depends on both the volume of business and monthly phasing).

6 - 6 - 2 - 6 Outstanding claims, claims incurred but not reported (IBNR), and reinsurance share of outstanding claims and IBNR

Table 6-33: Net outstanding claims (excluding IBNR)

SR in 000s	31 Dec 2011 Audited	31 Dec 2012 Audited	31 Dec 2013 Audited	30 Jun 2014 Reviewed
Property	50,681	43,221	561,974	440,519
Motor	30,343	15,746	21,183	17,650
Engineering	17,375	17,183	14,715	13,273
Medical	681	184	188	1,138
Marine	11,331	13,188	9,704	11,086
Others	8,856	10,010	9,996	14,539
Gross outstanding claims	**119,266**	**99,532**	**617,759**	**498,204**
Property	48,186	40,385	555,109	433,973
Motor	3,268	289	2	216
Engineering	10,540	10,699	9,008	8,574
Medical	3,338	-	-	-
Marine	7,766	8,136	6,062	5,935
Others	5,617	7,213	6,320	8,468
RI share of outstanding claims	**78,716**	**66,722**	**576,502**	**457,167**
Net outstanding claims	**40,550**	**32,810**	**41,257**	**41,037**
RI share of OCR as % of gross OCR				
Property	95.1%	93.4%	98.8%	98.5%
Motor	10.8%	1.8%	0.0%	1.2%
Engineering	60.7%	62.3%	61.2%	64.6%
Medical	490.5%	0.0%	0.0%	0.0%
Marine	68.5%	61.7%	62.5%	53.5%
Others	63.4%	72.1%	63.2%	58.2%
Total	**66.0%**	**67.0%**	**93.3%**	**91.8%**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Property outstanding claims reserves and RI share of outstanding claims

Property outstanding claims reserve (OCR) and reinsurance share of outstanding claims increased considerably from SR50.7m and SR48.2m as at 31 Dec 2011 to SR562.0m and SR555.1m respectively as at 31 Dec 2013, mainly due to the Savola claim amounting to SR605m where an amount of SR143.5m was paid in FY13. As at 30 June 2014, Property OCR and RI share of OCR decreased to SR440.5m and SR434.0m respectively on the back of settling c. SR100m of the Property claim related to Savola in H1 2014.

Motor outstanding claims reserves and RI share of outstanding claims

Motor outstanding claims reserve and reinsurance share of outstanding claims decreased from SR30.3m and SR3.3m as at 31 Dec 2011 to SR17.6m and SR216k as at 30 June 2014 respectively driven by Riyad Bank individual car loans insurance.

Engineering outstanding claims reserves and reinsurer's share of OCR

Engineering OCR and reinsurance share of OCR decreased from SR17.4m and SR10.5m as at 31 Dec 2011 to SR13.3m and SR8.6m respectively as at 30 June 2014 as a result of a major loss in FY11, amounting to SR6.0m, and in line with the decrease in GWP.

Table 6-34: Gross IBNR by line of business

SR in 000s	31 Dec 2011 Audited	31 Dec 2012 Audited	31 Dec 2013 Audited	30 Jun 2014 Reviewed
Property	7,555	7,823	8,908	5,482
Motor	9,700	8,604	19,155	23,007
Engineering	4,409	2,180	2,062	1,656
Medical	4,331	4,049	4,128	4,622
Marine	1,900	8,184	6,814	2,857
Others	4,015	4,263	4,677	2,857
Gross outstanding claims	**31,910**	**35,103**	**45,744**	**41,088**
Property	6,012	6,586	7,046	3,145
Motor	-	2	-	-
Engineering	3,916	1,341	1,068	1,140
Medical	-	2,256	3,417	2,715
Marine	600	6,908	4,873	1,429
Others	1,130	653	3,461	996
RI share of outstanding claims	**11,658**	**17,755**	**19,865**	**9,425**
Net outstanding claims	**20,252**	**17,348**	**25,879**	**31,663**

Source: SAMA forms and Management information

The Company records IBNR based on the actuarial reports.

As per actuarial report dated 8 July 2014 and covering the period up to 30 June 2014 the following points have been noted:

- For non-motor classes, estimating the IBNR reserves as at 30 June 2014 used the incurred DFM which is generally preferred over other methods. This is consistent with the approach taken for the previous report;
- The actuarial review for estimating IBNR is first performed on gross claims and net values for IBNR reserves are derived using net-to-gross ratio;
- The increase in Motor class is driven by a change in IBNR methodology which was considered appropriate in view of the recent changes in the claims processes. In addition, the IBNR increase is also driven by the recent requirement from SAMA to hold 100% provision against outstanding salvage and subrogation related to claims which happened more than one year ago; and
- An analysis was performed as at 30 June 2014 to estimate the future profits from the business already underwritten, but unearned as at 30 June 2014. This analysis indicated that while overall results for the Company are expected to be profitable as this business is earned, the Company is likely to incur a loss on the Motor class due to a high loss ratio. The Company has therefore provided an Unexpired Risk Reserve of SR4.9m under the Motor class in line with the recent directive from SAMA that requires all expected losses to be provided against, at class level.

6 - 6 - 2 - 7 Accrued expenses and other liabilities

Table 6-35: Accrued expenses and other liabilities

SR in 000s	31-Dec-11			31-Dec-12			31-Dec-13			30-Jun-14		
	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total	Insurance operations	Shareholders operations	Total
Accrued salaries and benefits	2,725	600	3,325	3,349	-	3,349	2,675	-	2,675	3,803	-	3,803
Accrued supervision fee	434	-	434	431	-	431	584	-	584	379	-	379
BOD remuneration	-	500	500	-	488	488	800	-	800	-	728	728
Zakat and income tax payable	-	3,574	3,574	-	6,177	6,177	-	7,895	7,895	-	8,729	8,729
Withholding tax payable	3,501	-	3,501	4,033	-	4,033	6,301	-	6,301	5,547	-	5,547
Accrued IT related services	2,378	-	2,378	2,500	-	2,500	2,397	-	2,397	1,542	-	1,542
Accrued legal and professional fees	1,872	-	1,872	700	-	700	950	-	950	1,158	-	1,158
Outsourced service charges payable	7,769	-	7,769	6,900	-	6,900	12,900	-	12,900	15,700	-	15,700
Other accrued expenses	5,223	400	5,623	2,367	876	3,243	1,168	2,035	3,203	1,971	1,798	3,769
Total	**23,903**	**5,074**	**28,97**	**20,280**	**7,541**	**27,82**	**27,776**	**9,930**	**37,70**	**30,101**	**11,255**	**41,356**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

Accrued salaries and benefits

Accrued salaries and benefits decreased from SR3.3m as at 31 Dec 2011 to SR2.7m as at 31 Dec 2013 resulting from decreased bonus provisions in the respective years as net underwriting results were decreasing. However, as at 30 June 2014 it increased to SR3.8m in line with the increase in salaries and benefits on the back of hiring 5 new employees.

Accrued supervision fees

Accrued supervision fees, which related to the regulatory charges for SAMA and CCHI fees were computed at 0.5% of GWP less local facultative inward reinsurance. CCHI fees were computed at 1% of Medical GWP.

Withholding tax payable

Withholding tax payable amounted to SR6.3m as at 31 Dec 2013, an increase of SR2.8m over the historical period as a result of the growth of business in the non-motor classes with an equal and opposite increase in reinsurance payable. As at 30 June 2014, it decreased to SR5.5m due to the payment cycle to reinsurers as more payments were made in YTD14.

Accrued related IT services

Accrued related IT services remained relatively stable over the period under analysis. However, as at 30 June 2014 it decreased to SR1.5m as a result of the overall focus on cost reduction.

Accrued legal and professional fees

Accrued legal and professional fees decreased from SR1.9m as at 31 Dec 2011 to SR950k as at 31 Dec 2013 as the Company over accrued for the portfolio transfer fee in 2011. Subsequently, it increased to SR1.2m as at 30 June 2014 in connection with various accrued expenses for the rights issue.

Outsourced services

Outsourced services charges payable increased from SR7.8m as at 31 Dec 2011 to SR12.9m as at 31 Dec 2013 as a result of not settling FY12's balance and carrying it over to FY13 along with an additional accrual of SR6.0m. Outsourced services increased by SR2.8m to amount to SR15.7m as at 30 June 2014 mainly due to the build-up of the balance whereby no payments were made since FY12.

Other accrued expenses

Other accrued expenses decreased from SR5.6m as at 31 Dec 2011 to SR3.2m as at 31 Dec 2013 mainly due to the decrease from insurance operations by SR4.1m but offset by the increase in shareholders operations by SR1.6m. Other accrued expenses increased to SR3.8m as at 30 June 2014 mainly due to the increase in insurance operations by SR802k, partially offset by the decrease in shareholders operations by SR236k.

6 - 6 - 2 - 8 Unearned reinsurance commission

Table 6-36: Unearned reinsurance commission movement

SR in 000s	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2013 Audited"	"30 June 2014 Reviewed"
Opening balance	3,049	4,544	7,839	8,880
Commission received during the year	20,821	24,763	29,214	13,502
Commission earned during the year	(19,326)	(21,468)	(28,173)	(13,118)
Ending balance	**4,544**	**7,839**	**8,880**	**9,264**

Source: Audited financial statements

Table 6-37: Unearned RI commission by line of business

SR in 000s	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2012 Audited"	"30 Jun 2014 Reviewed"
Property	1,987	4,069	5,650	4,218
Motor	-	-	-	-
Engineering	1,277	1,761	1,527	3,295
Medical	-	-	-	-
Marine	1,231	1,488	1,218	783
Others	49	521	486	968
Total	**4,544**	**7,839**	**8,880**	**9,264**
As % of commissions received				
Property	22.6%	42.1%	35.1%	65.0%
Motor	na	na	na	na
Engineering	24.9%	32.9%	33.0%	88.3%
Medical	na	na	na	na
Marine	23.0%	20.0%	17.5%	45.2%
Others	3.2%	22.5%	32.1%	63.7%
Total	21.8%	31.7%	30.4%	68.6%

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

The Company estimates unearned reinsurance commission for each line of business based on the pro-rata method, except for Marine where it is fixed for the total amount of the last 3 months of the period.

Unearned RI commissions as a percentage of commissions received increased significantly as at 30 June 2014 across all lines of business due to the fact that RI commission received figures represent only 6 months of commissions (for the first 6 months of FY14) versus full year (12 months) commissions as at 31 Dec 2011, 2012 and 2013.

Property

Property unearned RI commission income as % of commissions received increased from 22.6% as at 31 Dec 2011 to 42.1% as at 31 Dec 2012 as a result of the increase in Property excess of loss ceded premiums by SR3.4m and thus the decrease in RI commissions received. Subsequently, this increased to 65% as at 30 June 2014 mainly due to the reason mentioned above.

Engineering

Engineering unearned RI commission as % of commissions received increased from 24.9% as at 31 Dec 2011 to 32.9% as at 31 Dec 2012 and remained stable at c. 33.0% at 31 Dec 2013 as a result of the increase in Engineering ceded premiums from FY11 to FY12.

Marine

Marine unearned RI commission income as % of commissions received decreased from 23.0% as at 31 Dec 2011 to 17.5% as at 31 Dec 2013 as a result of the increase in Marine insurance policies with total sum insured of less than SR25m in FY13, which have a higher retention rate and lower RI commissions.

Others

Others unearned RI commission income as % of commissions received increased from 3.2% as at 31 Dec 2011 to 32.1% as at 31 Dec 2013 as a result of a change in the treaty for the Riyad Bank life insurance.

Motor and Medical unearned RI commission income as a % of commissions received are nil over the historical period as they are subject to excess of loss treaties that do not include RI commissions.

6 - 6 - 2 - 9 Due to related parties

The increase in due to related parties (insurance operations) from a receivable balance of SR2.1m (classified under due from related parties - insurance operations in 2011) at 31 Dec 2011 to SR5.4m at 31 Dec 2012 was mainly a result of the increase in intercompany UAE balance by SR2.2m. Subsequently, due to related parties decreased to SR2.8m at 30 June 2014 on the back of the decrease in intercompany balances related to UAE operations combined with the decrease in Bahrain operations, partially offset by the increase in intercompany balance related to RSA ME.

6 - 6 - 2 - 10 End of service benefits

Table 6-38: End of service benefits

SR in 000s	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2013 Audited"	"30 June 2014 Reviewed"
Beginning of the year balance	7,598	6,813	8,538	9,195
Settlements	(2,899)	(551)	(869)	(1,805)
Balance transferred from Bahrain for employee	90	-	-	-
Cost charged out to region for some shared IT staff	11	-	-	-
Charge for the year	2,014	2,276	1,526	1,172
Ending balance	**6,813**	**8,538**	**9,195**	**8,563**

Source: Management information

The increase in end of service benefits from SR6.8m at 31 Dec 2011 to SR8.5m at 31 Dec 2012 was mainly due to the decrease in settlements by SR2.3m. The increase in end of service benefits to SR9.2m (8.2%) at 31 Dec 2013 was mainly driven by the decrease in additional charges for the year by SR750k on the back of the decrease in the number of employees by 7 employees. At 30 June 2014, end of service benefits decreased to SR8.6m due to the increase in settlements to SR1.8m.

6 - 6 - 3 Statement of changes in shareholders' equity

Table 6-39: Statement of changes in shareholders' equity

SR in 000s	Share capital	Unrealized gain on available for sale investments	Accumulated losses	Total
01-Jan-11	200,000	-	(42,465)	157,535
Net income/loss for the year	-	-	(18,008)	(18,008)
Zakat and income tax	-	-	(3,212)	(3,212)
31-Dec-11	**200,000**	**-**	**(63,684)**	**136,316**
Net income/loss for the year	-	-	3,763	3,763
Unrealized gain for the year	-	411	-	411
Zakat and income tax	-	-	(3,073)	(3,073)
31-Dec-12	**200,000**	**411**	**(62,994)**	**137,417**

SR in 000s	Share capital	Unrealized gain on available for sale investments	Accumulated losses	Total
Net income/loss for the year	-	-	(21,915)	(21,915)
Unrealized gain for the year	-	(202)	-	(202)
Zakat	-	-	(2,193)	(2,193)
31-Dec-13	**200,000**	**209**	**(87,102)**	**113,107**
Net income/loss for the period			(26,301)	(26,301)
Unrealized gain for the period		318		318
Zakat			(834)	(834)
30-Jun-14	**200,000**	**527**	**(114,236)**	**86,291**

Source: Audited financial statements for the 3 previous financial years and reviewed financial statements for the 6 months ended 30 June 2014

The share capital of the Company is SR200m divided into 20 million shares of SR10 each.

At 31 Dec 2011, the Company's equity reached SR136.3m following a loss for the year FY11 which amounted to SR21.2m post tax and fair value gains and losses. At 31 December 2012, the Company's equity reached SR137.4 following a profit for the year of SR1.1m.

At 31 Dec 2013, the Company's equity amounted to SR113.1m following a loss of SR24.3m.

At 30 June 2014, the Company's equity amounted to SR86.3m following a loss of SR26.8m.

Although the Company's accumulated losses have reached a peak of SR87.1m as at 31 Dec 2013, the Company was able to record a net income for the year FY12, as a result of improved underwriting results.

The Company intends to raise its capital in FY14 for the following reasons:

- Cover its accumulated losses which reached SR114.2m at 30 June 2014, representing 57.1% of share capital;
- Enhance its solvency margin cover as required by SAMA Implementing Regulations;
- Increase its capacity to accept premiums mainly in the corporate business; and
- Diversify its cash into return generating investments.

6 - 6 - 4 Zakat and income tax

Table 6-40: Zakat and income tax

SR in 000's	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2013 Audited"	"30 Jun 2014 Reviewed"
Share capital	200,000	200,000	200,000	200,000
Reserve and provision	-	(36,585)	(38,740)	(65,734)
Book value of long term assets	-	(3,629)	(2,767)	(3,134)
Adjust net profit/(loss) for the year	-	1,387	(24,460)	(25,947)
Zakat base	**200,000**	**161,172**	**134,033**	**105,185**
Saudi shareholders' share of Zakat base	**150,000**	**120,879**	**100,525**	**78,889**

Source: Audited financial statements

Table 6-41: Zakat provision movement

SR in 000's	"31 Dec 2011 Audited"	"31 Dec 2012 Audited"	"31 Dec 2013 Audited"	"30 Jun 2014 Reviewed"
Opening balance	3,266	3,574	6,177	7,895
Provided during the year	3,212	3,073	2,193	834
Payment during the year	(2,904)	(469)	(475)	-
Ending balance	**3,574**	**6,177**	**7,895**	**8,729**

Source: Audited financial statements

Year	Zakat return filed	Payment made	DZIT certificate	Type of Certificate	Open enquiries	DZIT assessment
2011	Yes	Yes	Yes	Restricted	Yes	Pending
2012	Yes	Yes	Yes	Restricted	Yes	Pending
2013	Yes	Yes	Yes	Restricted	Yes	Pending

Source: Management information

There is an open query or appeal with the DZIT related to deductible investments and term deposits.

DZIT's final assessment for 2011, 2012 and 2013 is still pending due to the disallowance of investments amounting to SR20.5m and term deposits of SR68.0m as at 31 December 2012. The related potential additional tax exposures amounted to SR2.6m at 31 December 2012 as per DZIT.

Management does not believe any of the issues raised in these assessments will have a recurring impact on non-finalised years.

The Zakat return has been submitted for 2011, 2012 and 2013 and a restricted Zakat certificate was received on 28 April 2014. The restricted Zakat certificate allows the Company to carry forward with all its on-going operations except for the settlement of the final payments or retentions in connection with governmental contracts. We note that the last Zakat and tax assessment received by the Company was at 31 Dec 2012.

6 - 6 - 5 Cash flows

Table 6-42: Cash flow statement - Insurance operations

SR in 000s	"FY11 Audited"	"FY12 Audited"	"FY13 Audited"	"YTD13 Reviewed"	"YTD14 Reviewed"
Insurance operations' surplus	**-**	**488**	**-**	**-**	**-**
Depreciation	846	701	605	418	277
End-of-service indemnities	2,014	2,276	1,526	1,000	1,172
Provision for doubtful debts	-	-	(1,571)	(2,742)	279
Gain on sale of property and equipment	(159)	-	(12)	-	-
End-of-service indemnities paid	(2,889)	(551)	(869)	(376)	(1,805)
Total adjustemnts	**(187)**	**2,914**	**(321)**	**(1,701)**	**(77)**
Premiums and insurance balances receivable	(25,534)	18,307	(2,546)	4,967	(24,983)
Prepayments and other assets	(234)	(2,829)	143	(4,665)	(3,011)
Due from shareholders' operations-Current account	727	-	-	-	-

SR in 000s	"FY11 Audited"	"FY12 Audited"	"FY13 Audited"	"YTD13 Reviewed"	"YTD14 Reviewed"
Due from related parties	(9,040)	(3,874)	33,557	(1,991)	297
Due from shareholders' operations	(16,658)	4,392	(21,664)	(5,549)	(26,411)
Due to shareholders' operations-Current account	11,387	(6,953)	(4,434)	(4,434)	-
Reinsurance share of unearned premiums	(10,069)	(2,430)	(30,266)	(4,001)	16,589
Reinsurers' share of outstanding claims	(51,220)	5,897	(511,890)	(353,893)	129,775
Deferred policy acquisition costs	376	1,308	(1,338)	(3,591)	(1,838)
Unearned premiums	17,277	13,540	34,956	15,245	(9,915)
Unearned commission income	1,495	3,295	1,041	448	384
Outstanding claims	53,476	(16,541)	528,868	349,508	(124,211)
Accounts payable	2,115	4,307	(11,573)	(8,812)	(674)
Reinsurance balances payable	22,174	(3,080)	47,153	24,035	(3,526)
Accrued expenses and other liabilities	8,826	(3,623)	7,496	2,609	2,325
Due to related parties			(2,282)		(383)
Net cash (used in) / from operating activities	**4,910**	**14,630**	**66,901**	**8,175**	**(45,659)**
Purchase of property and equipment	(374)	(854)	(368)	(66)	(632)
Term deposit	-	-	(83,914)	-	9,479
Investment in a Company	(50)	-	-	-	-
Proceeds from sale of fixed assets	252	-	60	-	-
Net cash from / (used in) investing activities	**(172)**	**(854)**	**(84,222)**	**(66)**	**8,847**
Net change in cash and cash equivalents	**4,737**	**13,776**	**(17,321)**	**8,109**	**(36,811)**
Opening cash balance	39,270	44,007	57,783	57,783	40,462
Ending cash balance	**44,007**	**57,783**	**40,462**	**65,893**	**3,651**

Source: Audited financial statements

Table 6-43: Cash flow statement - Shareholders' operations

SR in 000s	"FY11 Audited"	"FY12 Audited"	"FY13 Audited"	"YTD13 Reviewed"	"YTD14 Reviewed"
Net (loss) income for the period	**(18,008)**	**3,763**	**(21,915)**	**(5,486)**	**(26,301)**
Zakat and income tax paid	(2,904)	(469)	(475)	(475)	-
Other assets	72	(33)	5	(86)	(104)
Due from insurance operations - Current account	(11,387)	6,953	4,434	4,434	-
Due to a related party	679	378	1	1	-
Due to insurance operations	16,658	(4,392)	21,664	5,549	26,411
Due to policyholders's operations-current account	(727)	-	-	-	-
Accrued expenses and other libilities	858	(136)	671	58	492
Net cash (used in) / from operating activities	**(14,759)**	**6,063**	**4,386**	**3,995**	**498**
Time deposit	11,802	27,462	(24,884)	-	(480)
Investment	-	(27,102)	(421)	176	169
Net cash from / (used in) investing activities	**11,802**	**360**	**(25,305)**	**176**	**(311)**
Net change in cash and cash equivalents	**(2,957)**	**6,423**	**(20,920)**	**4,171**	**187**
Opening cash balance	27,413	24,456	30,879	30,879	9,959
Ending cash balance	**24,456**	**30,879**	**9,959**	**35,050**	**10,146**

Source: Audited financial statements

Operating cash flow

Operating cash flow increased from negative SR9.9m in FY11 to positive SR71.3m in FY13 mainly on the back of the decrease in due from related parties by SR42.6m, combined with the increase in reinsurance payables by SR25.0m, as well as the decrease in premiums receivable by SR23.0m. Subsequently, operating cash flow decreased from SR12.3m in YTD13 to negative SR45.2m in YTD14 mainly as a result of the increase in premiums and insurance balances receivable by SR30.0m coupled with the increase in reinsurance balances payable from SR52.8m as at 30 June 2013 to SR72.9m as at 30 June 2014.

Cash flow from (used in) investing activities

Cash flow used in investing activities in FY13 is mainly related to the increase in term deposits related to insurance operations' to SR83.9m. In YTD14, cash flow from investing activities (insurance operations) increased to SR8.8m (from negative SR66k in YTD14) mainly on the back of the decrease in term deposits from insurance operations' by SR9.5m.

6 - 7 Admitted assets and solvency

Table 6-44: Admissible assets

SR in 000s	31-Dec-13	30-Jun-14
Cash and cash equivalents	50,421	13,796
Investments	248,869	240,019
Receivables	49,505	71,103
Reinsurance recoverables	665,489	519,124
Deferred acquisition cost	6,028	7,866

SR in 000s	31-Dec-13	30-Jun-14
Prepaid expenses	1,838	3,580
Tangible assets	855	1,211
Total	**1,023,005**	**856,699**
As % of total assets	**92.6%**	**88.4%**

Source: SAMA forms, Management information

Total admissible assets in the table across are based on admissibility factors (i.e. admissibility percentages for each asset type) set by SAMA Implementing Regulations. If the percentage of certain assets out of total assets is less than the admissibility factor, then 100% of the asset is considered admissible.

Admissible assets represent a basis against which the required solvency margin as per SAMA is compared after deducting total liabilities in order for SAMA to check whether the insurance company is sufficiently solvent.

As per Article 65 (1) of SAMA Implementing Regulations, the market value of the assets shall not be exceeded in the valuation process for the purpose of calculating the solvency margin.

As per Article 65 (2) of SAMA Implementing Regulations, the maximum limit/concentration per asset category as a proportion of total assets should be 20%. Adjustments should be inserted manually by SAMA, to reflect deductions for non-compliance of asset concentration regulatory limits.

Table 6-45: Calculation of Solvency Margin 30 June 2014

Premium basis method	Premium basis method					Claims basis method				
	Gross Written Premium	Net Written Premium	Retention Rate	Class Risk Factor	Required Solvency	Gross Claims Incurred*	Net Claims Incurred*	Retention Rate	Class Risk Factor	Required Solvency
Accident and Liability Insurance	28,546	17,052	59.7%	30.0%	5,116	16,137	4,815	50.0%	35.0%	2,824
Motor Insurance	126,468	124,033	98.1%	20.0%	24,807	124,174	124,506	100.3%	25.0%	31,126
Property Insurance	104,430	3,837	50.0%	16.0%	8,354	537,368	6,626	50.0%	20.0%	53,737
Marine Insurance	35,294	13,461	50.0%	30.0%	5,294	10,834	6,551	60.5%	30.0%	1,965
Aviation Insurance			--	30.0%	-	-	-	--	30.0%	-
Energy Insurance			--	30.0%	-	-	-	--	30.0%	-
Engineering Insurance	22,215	869	50.0%	30.0%	3,332	143	(257)	50.0%	30.0%	21
Other General Insurance	4,389	86	50.0%	16.0%	351	(1,102)	42	50.0%	20.0%	(110)
Health Insurance	8,898	3,416	50.0%	16.0%	712	15,189	8,123	53.5%	24.0%	1,949
Total	**330,240**	**162,754**			**47,966**	**702,743**	**150,405**			**91,513**

* 3 year average

Source: SAMA Forms, Management information

As per SAMA Implementing Regulations, Al Alamiya should maintain a minimum margin solvency equivalent to the highest of the three amounts:

Minimum capital requirement set by SAMA individually for each insurer (in Al Alamiya's case: SR200m)

Premium solvency margin (SR48.0m)

Claims solvency margin (SR91.5m)

Consequently, as at 30 June 2014, Al Alamiya's equity of SR86.3m is below the minimum required solvency margin of SR200m. Therefore, Al Alamiya does not have sufficient net assets beyond the minimum required solvency margin as at 30 June 2014 and thus does not have sufficient capacity to continue to grow the business and increase premiums unless it increases its capital.

Table 6-46: Solvency analysis - Statement of solvency

SR in 000s	31-Dec-13	30-Jun-14
Admissible assets:		
Policyholders' operations	850,014	682,893
Shareholder's operations	172,991	173,806
Total admissible assets	**1,023,005**	**856,699**
Liabilities:		
Policyholders' operations	930,938	794,305
Shareholder's operations	60,309	88,045
Liabilities allowed to be left out	(49,321)	(75,732)
Total liabilities	**941,926**	**806,618**
Net admissible assets:		
Policyholders' operations	(80,924)	(111,412)
Shareholder's operations	112,682	85,761
Adjustments, allowed additions and exclusions	49,321	75,732
Total net admissible assets (a)	**81,079**	**50,081**
Required solvency margin	50,317	91,513
Minimum Capital Requirement	200,000	200,000
Total Required Minimum Margin (b)	**200,000**	**200,000**
Excess (deficiency) of net admissible assets over minimum required margin	**(118,921)**	**(149,919)**
Solvency margin cover (a) / (b)	**40.5%**	**25.0%**

Source: SAMA forms, Management information

Net admissible assets for insurance operations were in a deficit of SR80.9m as at 31 Dec 2013. This deficit was due to increased insurance operations' liabilities resulting from the increase in gross outstanding claims which reached SR663.5m at 31 Dec 2013 due to the Savola significant claim. Subsequently, the deficit amounted to SR111.4m as at 30 June 2014 primarily as a result of the decrease in the cash balance by SR36.8m.

Net admissible assets for shareholders' operations were in surplus by SR112.7m as at 31 Dec 2013 largely due to the 100% admissibility of the statutory deposit, the time deposit and investments. As at 30 June 2014, net admissible assets for shareholders' operation remained in surplus but decreased to SR85.8m as a result of the increase in due to insurance operations' by SR26.4m.

Total admissible assets compared to total liabilities were in surplus by SR50.1m as at 30 June 2014.

The solvency margin cover (i.e. net admissible assets divided by required minimum margin) was 25.0% as at 30 June 2014. This is lower than the 100% minimum requirement as per SAMA. This means that net admissible assets were not sufficient to cover the required solvency margin.

Accordingly, Al Alamiya is not in compliance with SAMA's requirements in regards to minimum solvency margin and minimum solvency margin cover for insurance companies as at 30 June 2014.

Additionally, as per article 65 (2) of SAMA Implementing Regulations, the maximum limit/concentration per asset category as a proportion of total assets should be 20%. SAMA may at its discretion, impose adjustments to the solvency calculation to reflect deductions in admissible assets for non-compliance of asset concentration regulatory limits.

As at 30 June 2014, deposits and investments (which include total term deposits, statutory deposits and debt securities investments amounting to SR240.0m) and reinsurance recoverables (i.e. reinsurers' share of UPR and

OCR aggregated based on SAMA amounting to a total of SR519.1m) exceeded the 20% maximum limit per asset category set by SAMA, reaching 28.0% and 60.6%of total admissible assets respectively.

6 - 8 Contingencies and commitments

6 - 8 - 1 Bank guarantees

Bank guarantees amounting to SR1.3m as at 30 June 2014 were issued through SABB to various motor agencies for the repair of motor vehicles.

6 - 8 - 2 Legal proceedings and regulations

The Company may be involved in litigation or claims as a plaintiff or defendant in the normal course of its business. Litigation or claims may have an adverse impact on the Company’s business. Decisions or regulatory action may expand the scope of its liabilities which could materially and adversely affect the Company’s business, financial standing and operating results. The Company did not have any significant outstanding legal proceedings as at the reporting date.

6 - 8 - 3 Planned capital expenditure

The Company has no major planned future capital expenditure as at 30 June 2014; however, going forward it may consider investing in capital assets admissible under SAMA regulations.

7. Capitalization and Indebtedness

The following table exhibits the capitalization and indebtedness of the Company as derived from the audited financial Statements as at 31 December 2013G:

Table 7-1: ACIC Capital (SAR'000)

	Year ended 31 December 2013G
CLAIMS OF INSURANCE OPERATIONS	
Liabilities	
Accounts payable	3,769
Reinsurance balances payable	75,913
Unearned reinsurance commission payable	8,880
Gross unearned premiums	138,748
Gross outstanding claims	663,503
Accrued expenses and other liabilities	27,776
Due to related parties	3,154
Due to shareholder's operations	-
Surplus distribution payable	488
End-of-service indemnities	9.195
TOTAL INSURANCE OPERATIONS LIABILTIES	**931,426**
SHAREHOLDERS LIABILITIES & EQUITY	
Due to insurance operations	49,321
Due to a related party	1,058
Accrued expenses and other liabilities	9,930
Total Liabilities	**60,309**
Issued share capital	200,000
Unrealized gain on available for sale investment	209
Accumulated losses	(87,102)
Total stockholders' equity	**113,107**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**1,104,842**

Source: the Company

There is no issued or existing instrument, declared and not yet issued instrument, or any term loans which is covered or not covered by either a personal guarantee or a mortgage at the date of this Prospectus.

The Company has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit, or lease purchase obligations, which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus.

There are no mortgages, rights or encumbrances on the properties of the Company as at the date of this Prospectus.

The Company has no contingent liabilities or guarantees as at the date of this Prospectus.

The Company has not amended its capital for the past three years from the date of this Prospectus.

The Company has reviewed the likely cash flow requirements of the business for the next 12 months and is of the opinion that the Company will have sufficient working capital funds during this period.

8. Dividend Distribution Policy

In distributing dividends, the Company's policy does not go beyond the rules listed in the Law on the Supervision of Cooperative Insurance Companies and the rules contained in the Company's By-Laws, which were approved by the Company's founding General Assembly. Article 44 of the By-Laws clearly defines the Company's dividend distribution policy as follows:

1. The decreed Zakat and income tax shall be set aside;
2. 20 percent of the net profits shall be allocated to form the statutory reserve and the Ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred percent of the Company's paid-up capital;
3. The General Assembly may, at the recommendation of the Board, set aside a specific percentage of the annual net profits to build up a reserve and allocate it for a specific purpose or purposes as determined by the General Assembly;
4. The balance shall be distributed as a first payment in the amount of at least five percent of paid-up capital to the Shareholders;
5. The remaining balance shall be distributed to the Shareholders as a share in the profits or to be transferred to the retained profits account; and
6. The Board may issue a decision to distribute periodical profits to be deducted from annual profits specified in paragraph 4 above in accordance with the rules and regulations issued by the competent authorities.

In accordance with paragraph 5 of Article 43 of the By-Laws, 10% of the net surplus shall be distributed to the Policyholders either directly or by way of reduction in their premiums for the following year, and the balance of 90% shall be carried forward to the Shareholders' Income Statement.

The Company has not paid any dividends since its incorporation due to the financial losses sustained by the Company.

There is no guarantee that the Company will pay out any dividends to the shareholders in the coming financial years. Declaration of dividends will be dependent upon several factors, including the Company's earnings, its financial condition, reserve and capital requirements, credit available to the Company, general economic conditions and other factors the Directors may deem significant from time to time.

9. Capital Structure

The share capital of the Company currently stands at two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The Founding Shareholders own fourteen million (14,000,000) ordinary shares representing 70% of the share capital of the Company. The remaining six million (6,000,000) shares representing 30% are owned by the public pursuant to an initial public offering held from 14/10/1430H (corresponding to 03/10/2009G) to 20/10/1430H (corresponding to 09/10/2009G) at an offer price of SAR 10.

Below is a table reflecting the Shareholding structure of the Company as at 20/07/2014G:

Table 9-1: ACIC Major Shareholders (SAR million) as at 20 July 2014G

Name of Shareholder	Nationality	Number of Shares	Nominal Value of Shares (SAR)	Percentage (%)
RSA ME	Bahrain	10,014,000	100,140,000	50.07
Riyad Bank	KSA	3,984,000	39,840,000	19.92
Total		**13,998,000**	**139,980,000**	**69.99**

Source: the Company

The Company's Board of Directors declare that there is no Capital of the Company which is under option, and no privileges or rights have been granted by the Company to the Founding Shareholders, or to any other person.

On 24/06/1435H (corresponding to 24/04/2014G), the Company's Board of Directors recommended a capital increase from two hundred million Saudi Riyals (SAR 200,000,000) to four hundred million Saudi Riyals (SAR 400,000,000) to meet certain regulatory solvency requirements and support the future growth of the Company.

The Company's received an undertaking from RSA ME, its largest shareholder, confirming its intent to participate in the Rights Issue and to fully exercise its share option to subscribe to 10,014,000 shares in order to maintain its 50.07% share ownership after completion of the Rights Issue. In addition, the Company received a similar undertaking from Riyad Bank, its second largest shareholder, confirming its intent to participate in the Rights Issue and to fully exercise its share option to subscribe to 3,984,000 New Shares in order to maintain its 19.92% share ownership after completion of the Rights Issue. Based on these undertakings, 69.99% of the New Shares will be subscribed by the Company's two largest shareholders.

10. Use of Proceeds

10 - 1 Net Proceeds

The total gross proceeds from the Offering are estimated at SAR 200 million out of which an estimated SAR 10.0 million will be paid to cover the Offering costs and fees including fees of the financial advisor, legal advisor, lead manager and underwriter, announcement printing and receiving bank expenses and other Offering related expenses.

Net proceeds will be SAR 190,000,000, which will be used mainly to meet solvency requirements. The shareholders will not obtain any of the proceeds arising from the Offering.

The Company declares that it is submitting the quarterly report detailing the use of the proceeds in line with the Listing Rules and requirements.

10 - 2 Use of Proceeds

All insurance companies operating in the KSA conduct their activities in accordance with the Law on the Supervision of Insurance Companies, the Implementing Regulations and subsequent amendments made from time to time by SAMA.

The abovementioned law states that insurance companies shall maintain a minimum solvency margin according to the three requirements listed below:

- Minimum capital requirements
- Premium solvency margin
- Claims solvency margin

Insurance companies are required to maintain a minimum level of net assets to be included in a solvency margin account and this requirement is transferred as needed to maintain a minimum of full (100%) coverage of the solvency margin (net assets to be included in the solvency account divided by the minimum solvency margin).

The proposed use of proceeds is as follows:

Table 10-1: Use of Proceeds

Description	SAR millions
Capital required to cover solvency (including SAR 20 million increase in regulatory deposits)	150
Additional solvency margin (10% of total capital)	40
Offering expenses	10
Total Proceeds from Offering	**200**

Source: Company

In accordance with the Law on the Supervision of Cooperative Insurance Companies, regulatory deposits must be 10% of the paid up capital. The Company will deposit an additional SAR 20 million in order for the gross regulatory deposit to be SAR 40 million after the capital increase is paid.

After the Offering, the Company intends to use the net proceeds (after the regulatory deposit and Offering costs are deducted) in the capital increase for investment according to the investment channels in the Law on the Supervision of Cooperative Insurance Companies. The estimated value of the investments is around SAR 170 million, including short- to medium-term deposits (70.5%) and investments in medium- to long-term bonds (29.5%).

Table 10-2: Use of Proceeds (SAR million)

Statutory deposit	20
Offering-related expenses	10
Investments – see Proposed Investment Structure table below	170
Gross proceeds	200

Table 10-3: Proposed Investment Structure (SAR million)

Short- to medium-term deposits (70.5%)	120
Investments in medium- to long-term bonds (29.5%)	50
Total investments	**170**

10 - 3 Maintaining the required solvency margin and statutory reserve

The solvency margin is a minimum standard of financial health for an insurance company ("Solvency Margin"). As per the Insurance Regulations in the KSA, insurance companies are required to maintain an adequate Solvency Margin to run their operations and to meet the future expansion objectives. The following articles address these requirements:

- Section 3 of Article 3 of the Law on the Supervision of Cooperative Insurance Companies stipulates that the capital of a company engaged in insurance and reinsurance activities shall not be less than SAR 200 million;
- Articles 66 and 67 of the Implementing Regulations state that insurance companies shall maintain appropriate Solvency Margin. It explains the Solvency Margin equivalent to the highest of the three methods for calculation of Solvency Margin, namely minimum capital requirement, premium basis and claims basis. Further, this Article exempts companies from application of all three methods, for first three years following their registration. Instead only the premium method is applicable during the three years.
- Moreover, Article 58 of the Implementing Regulations requires insurance companies to maintain a Statutory Deposit with SAMA equal to 10% of the paid-up capital.

Although ACIC has historically met the regulatory solvency margin, it fell short on the minimum capital requirement defined in Article 66 when it became effective from 17 November 2012.

In order to appraise its solvency requirements, management performed detailed calculations for each of the projected years until 2018. The results led the Company to conclude that with a capital increase of SAR 200 million a Solvency Margin cover of more than 100% could be maintained for all the years till 2018.

Table 10-4: Basis of Determining the Amount for Capital Increase

Description (SAR millions)	2013	2014	2015	2016	2017	2018
Total admissible assets	1,023	563	799.9	895.7	972.1	1062
Less: Liabilities (including technical provisions)	942	515.4	557.9	646.8	711.2	785.2
Excess of admissible assets over liabilities	81	47.6	242	248.9	260.9	276.8
Minimum required margin	200	200	200	200	200	200
Solvency surplus/ (deficit)	(119)	(152.4)	42	48.9	60.9	76.8
Proposed capital increase	-	200.0	-	-	-	-
Less: Offering expenses	-	(10.0)	-	-	-	-
Solvency surplus/ (deficit) post capital increase	(119)	37.6	42	48.9	60.9	76.8
Solvency margin cover	41%	119%	121%	124%	130%	138%

Source: Company

10 - 4 Expansion of Capital Base to Support Growth

Further as a consequence of the capital increase, the capital base will increase from SAR 200 million to SAR 400 million. In accordance with Article 48 of the Implementing Regulation, which stipulates that the Company's gross underwritten premium shall not exceed ten (10) times the total paid capital and reserves, the capital increase will allow the Company to underwrite up to SAR 4 billion of GWP.

11. Declarations of Directors, Senior Management and CFO

11 - 1 Financial Information

Directors' declarations for financial Information

The Directors declare that all of the financial information presented in the Prospectus is extracted without material change from the Company's statement of financial condition for the periods ending 31/12/2011, 31/12/2012, 31/12/2013 and the six months ended 30/6/2014, and that the statement of prospective financial condition has been prepared and inspected in accordance with the accounting regulations issued by IFRS. The Directors also declare that there have been no adverse material changes in ACIC's financial condition as of the issuance date of this prospectus. The Company has reviewed its anticipated cash flow needs for its business in the coming twelve months and the Company believes that it has sufficient financial resources to cover the working capital requirements during this period.

As of the date of this Prospectus, and with the exception of the disclosures made in other sections of this Prospectus, the Directors, CEO, CFO and Board Secretary declare the following:

- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- neither they nor any of their relatives or affiliates have any direct or indirect interest in the Company's shares or debt instruments;
- neither they nor any of their relatives have any share or interest of any kind in the Company;
- there has been no material adverse change in the financial or trading position of the Company in the three years immediately preceding the date of the application for registration and admission to listing up to the date of this Prospectus;
- the Company does not provide cash loans of any kind to its Directors or guarantee any loans taken out by a Director with a third party, in accordance with Article 71 of the Companies Law;
- the Directors declare that the financial data contained in the Prospectus is taken without any material change from the Company's audited financial Statements and that the financial Statements were prepared in conformity with the accounting standards approved by the IFRS;
- no material change in the nature of the Company's business is contemplated;
- no commissions, discounts, brokerages, fees or other non-cash compensation were granted by the Company in the three years immediately preceding the date of the application for registration and admission to listing to the period included in the report of the chartered accountant up to the date of this Prospectus;
- there has been no interruption in the Company's business that may affect or have a significant impact on its financial situation in the last twelve months;
- the Company is in compliance with Articles 69 and 70 of the Companies Regulations and Article 18 of the Corporate Governance Regulations;
- the Directors confirm that the Company has no debt instruments or long-term loans as of the date of this Prospectus, and confirm that neither the Company nor any of its subsidiaries have any assets under option;
- The Directors confirm that as of the issue date of the Prospectus, the Company does not have any subsidiary or sister companies inside or outside of the KSA;

11 - 2 Other Declarations

- In accordance with the Company's By-Laws and other founding documents, the Board declares that:
- none of the Directors nor the Executive Director have voting rights on a contract or proposal in which they have a material interest;
- none of the Directors nor the CEO have been granted any rights to vote on the remunerations granted thereto;
- none of the Directors nor the senior executive management nor the CEO are granted any authorities to take out loans from the Company;
- The Board of Directors declares its compliance with Article 18 of the Corporate Governance Regulations issued by the CMA.
- The Board of Directors declares its compliance with Articles 69 and 70 of the Companies Regulations.

12. Legal Information

12 - 1 Summary of the Company's By-Laws

The Company's By-Laws include the items listed below. Reference should be made to the full copy of the Company's By-Laws, available for inspection at the Company's head office. Several procedures require the approval of SAMA, such as increasing or reducing capital, distributing dividends, transferring the share ownership of Founding Shareholders, merging the Company with other companies, liquidation of the Company and appointing Board Directors.

a. Company Name

Al Alamiya for Cooperative Insurance Company

b. Company Objectives

The objects of the Company are to transact cooperative insurance operations and related activities such as reinsurance, agency activities, representation, or correspondence or intermediary activities provided that such activities are in accordance with the provisions of the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations and such other laws and regulations in force in the Kingdom of Saudi Arabia. The Company may undertake all activities as may be required to achieve its objects whether with respect to insurance or the investment of its funds and to own, move, sell, replace or lend its immovable properties or liquid assets either directly or through companies established or acquired by itself or in association with other entities. The Company may have an interest in, or participate in, any other entities that are engaged in activities or fiscal activities similar to those of the Company or which may assist the Company in realising its objects and may merge with or acquire said entities. The Company may exercise such activities as stated above whether within or outside the Kingdom of Saudi Arabia.

c. Head Office

The Company's head office is in the city of Riyadh. Upon obtaining the consent of SAMA, the Company's head office may be relocated to any other city in the Kingdom of Saudi Arabia by resolution of an Extraordinary General Assembly. The Company may establish branches, offices or agencies in Saudi Arabia or abroad after obtaining the consent of SAMA.

d. Duration

The term of the Company shall be ninety-nine (99) Gregorian years effective from the date on which the Minister of Commerce and Industry declares its incorporation. This term may be extended by resolution of an Extraordinary General Assembly at least one year prior to the expiry of the term.

e. Capital

The share capital of the Company is two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares each having an equal value of ten Saudi Riyals (SAR 10) each.

f. Subscription to Company Capital

The capital has been subscribed in full. The Founding Shareholders subscribed to fourteen million (14,000,000) shares representing seventy per cent (70%) of the entire share capital. The remaining shares representing thirty per cent (30%) were offered for public subscription.

g. Capital Increase

After obtaining the approval of the competent authorities, the extraordinary General Assembly may adopt a resolution to increase the Company's capital once or several times, provided that the original capital has been paid in full. Said resolution shall specify the mode of increasing the capital.

h. Capital Decrease

The extraordinary General Assembly may, after obtaining the approval of the competent authorities, reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company has suffered losses. Such resolution shall be issued only after presentation of the auditors' report on the reasons calling for such reduction, the obligations of the Company and the effect of the reduction on such obligations. The Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present documents to the Company within the time limit set above, then the Company shall pay such debt, if already due, or present a satisfactory guarantee of payment if the debt is due on a later date.

i. Trading of Shares

All the Company's shares shall be negotiable in accordance with the rules, regulations and instructions issued by the Capital Market Authority, with the exception that the Founders' cash shares may not be traded prior to the Company publishing the financial Statements for the first two (2) fiscal years (each year being not less than twelve (12) months) from the date of incorporation of the Company. This provision shall apply to the Founders' shares in the event that the capital is increased before expiry of the Lock-up Period. Nevertheless, it is possible during the Lock-up Period to transfer the cash shares, in accordance with the legal provisions for the sale of rights, from one Founder to another, or to transfer to any member of the Board of Directors as security for being a director, or from the heirs of any Founder to any third party, in case of death.

j. Pledge of Director Shares

A member of the Board of Directors of the Company shall present five thousand (5,000) shares as a guarantee against contracts arising between him and the Company, which was approved by the Ordinary General Assembly, and carries a right of attachment for the dividends due on the reserved shares.

k. Disposal of Attached Shares by the Board of Director

The Board of Directors shall have the right, when exercising the aforementioned right of attachment, after obtaining the approval of the competent authorities, to sell shares presented as a guarantee by members of the Board of Directors against the contracts between such members and the Company provided that the debt is due after having sent two written notices by registered mail requesting the shareholder to settle his debt within two weeks. If the indebted shareholder refuses to pay, the Board of Directors may sell his shares through the Tadawul system. The proceeds of the share sale shall be set off against all debts and liabilities owed to the Company. The balance, if any, shall be reimbursed to the shareholder or his guardian or his executor or his heirs.

l. Board of Directors

The Company shall be managed by a Board composed of nine (9) members to be appointed by the ordinary General Assembly for a term not exceeding three (3) years. Such appointment shall not prejudice the right of a legal entity to replace its Board representative.

m. Powers of the Board

Subject to the powers reserved for the General Assembly, the Board shall have the widest powers in managing the affairs of the Company and may, within the limits of its authority, delegate to one or more of its members or other parties the power of performing certain work or works.

n. Chairman and Managing Director

The Board shall appoint a Chairman from among its members. The Board shall also appoint a Managing Director from amongst its members or others. The Chairman and Managing Director shall have the authority to sign on behalf of the Company and implement Board resolutions. The Chairman of the Board of Directors or the Managing Director shall represent the Company before third parties and courts, and they shall have the right to delegate work or specific tasks to other persons. The Managing Director shall be responsible for the executive management of the Company.

o. Board Remuneration

The Board shall determine the salaries, remuneration and bonuses of the Chairman and the Managing Director, in accordance with Article 20 of the Company's By-Laws.

Remuneration of the Chairman for the services that he performs shall be one hundred and eighty thousand Saudi Riyals (SAR 180,000) per annum; and the remuneration for each of the members of the Board shall be one hundred and twenty thousand Saudi Riyals (SAR 120,000) per annum for performing their respective duties. Furthermore, the Chairman and each member of the Board shall be paid three thousand Saudi Riyals (SAR 3,000) for attending each Board meeting and one thousand five hundred Saudi Riyals (SAR 1,500) for attending each meeting of the Board's committees. However, in all events, the total amount paid to the Chairman and members of the Board shall not exceed 5% of the net profits of the Company. The Company shall ensure that the consent of the General Assembly is obtained on the conditions of remuneration and reimbursement. The concerned Board members or any other executive managers shall not have the right to vote on these conditions at the General Assembly.

p. Board Meetings and Resolutions

The Board shall be called to convene at the headquarters of the Company by its Chairman and whenever requested by two (2) members. Convocation shall be documented in the manner deemed appropriate by the Board. The Board may meet outside the Company's premises provided that it shall meet at least four (4) times during a given financial year subject to the interval between the meetings not exceeding four (4) months.

The meeting of the Board shall not be deemed valid unless attended by at least two thirds of the members in person or by way of proxy provided that the number of members attending in person is at least four (4) members. As stated in Article 15 of these By-Laws, a member may delegate another member to attend the Board meetings and vote on his behalf.

The Board's resolutions shall be issued unanimously. In case of disagreement these resolutions shall be issued by at least two thirds majority vote of the members present or represented by proxy. Board resolutions may be issued by written resolution that shall be circulated amongst the members unless one of the members requests, in writing, to hold a meeting to discuss the resolution. In the event the resolution is circulated, the resolution shall be presented to the Board at the next meeting. Any member of the Board who has a direct or indirect interest in any matter or suggestion presented to the Board or the Executive Committee, shall inform the Board or the Executive Committee about the nature of his interest in the presented matter. Such member, without being excluded from the quorum required for the validity of the meeting, shall abstain from participating in discussions and voting at the Board of Directors or the Executive Committee, as applicable, with regard to the matter or suggestion.

q. Committees

The Board shall form an Audit Committee consisting of no less than three (3) members and no more than five (5), who are not executive Directors of the Company and the majority of whom shall not be members of the Board as approved by SAMA, MoCI and CMA.

The Board shall form an Executive Committee consisting of not less than three (3) members and not more than five (5) members. The chairman of the Executive Committee shall be appointed from its members. If the chairman is not present at a meeting, the Committee shall appoint a temporary chairman from the members present. A member of the Executive Committee may appoint another member to vote at three Executive Committee meetings only. The period of membership of the Executive Committee shall be the same as of the Board and the Board shall fill the vacancy in the Executive Committee.

With respect to any instructions issued by SAMA or by the Company's Board, the Executive Committee shall assume all authorities designated by SAMA or the Board. The Executive Committee, within its designated power, shall assist the Managing Director or General Manager.

The Executive Committee meeting shall be valid only if attended by at least two (2) of its members in person or by proxy, provided that, at least two (2) members shall attend in person. The decisions of the Executive Committee shall be adopted unanimously. In the event of disagreement the decisions shall be adopted by three quarters majority vote of the present or represented members. The Committee shall meet from time to time whenever its chairman considers it necessary provided that at least six (6) meetings are held during a year. The Executive Committee shall meet if so requested in writing by at least two (2) members and a decision issued shall be deemed as approved if approved in writing by two (2) of the members.

r. Shareholders' Assemblies

The General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

The extraordinary General Assembly shall have the power to amend the By-Laws, except for such provisions as may be impermissible to be amended under applicable law and may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

A meeting of the ordinary General Assembly shall be valid only if attended by Shareholders representing at least 50 per cent of the Company's capital. If such quorum cannot be attained at the first meeting, a notice shall be sent for a second meeting to be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of the Companies Regulation. The second meeting shall be deemed valid irrespective of the number of Shares represented therein.

A meeting of the extraordinary General Assembly shall be valid only if attended by Shareholders representing at least 50 per cent of the Company's capital. If such quorum cannot be attained at the first meeting, a notice for a second meeting shall be sent in the same manner provided for in the preceding paragraph. The second meeting shall be valid only if attended by a number of Shareholders representing at least one fourth of the Company's capital.

s. General Assembly Resolutions

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the Shares represented therein. The resolutions of the Extraordinary General Assembly shall be adopted by a majority of two thirds of the Shares represented at the meeting, unless the resolution is in relation to the decrease or increase of capital, extending the term of the Company, winding up of the Company prior to the term stated in its By-Laws, or merger with another company or entity, in which case a valid resolution shall require a majority vote of three-quarters of the Shares represented at the meeting.

t. Appointment of Auditor

The General Assembly shall appoint two (2) auditors selected from among the certified public auditors licensed to work in Saudi Arabia each year. The General Assembly shall fix the auditors' remunerations and may also re-appoint them.

u. Annual Accounts

The Company's fiscal year shall commence on the 1st of January and end on the 31st December of each Gregorian year.

At the end of each fiscal year the Board shall prepare the closing entries of the Company's assets and liabilities as of that date. The Board of Directors shall also prepare financial Statements and a report on the Company's activities and financial position for the concluded financial year. The report should set out the proposed method for distribution of net profits within a period not exceeding forty days from the end of the annual financial year which includes such listings. The Board shall provide all such documents to the auditors at least fifty-five (55) days prior to the date set for the General Assembly. The Chairman shall sign such documents, and deposit a copy, which shall be held at the Company's head office, to be available to the Shareholders, at least twenty-five (25) days before the meeting of the General Assembly. The Chairman must publish the financial Statements, a comprehensive summary of the Board's report and the full text of the auditors' report in a daily newspaper published in the same city as the Company's head office. A copy of the same shall be delivered to the Department of Companies, the Capital Market Authority, and SAMA at least twenty-five (25) days before the meeting of the Ordinary General Assembly.

v. Insurance Operations Accounts

The statement of insurance operations shall be independent from the shareholders' income statement, as per the following:

1. An account shall be allocated for earned Premiums, reinsurance commission, and other commissions.
2. An account shall be allocated for indemnification incurred from the Company.
3. Specify total surplus, at the end of the year, which represents the difference between Premiums and indemnifications less marketing, administrative and operating expenses, as well as the necessary Technical Reserves, pursuant to the regulations.
4. The Net Surplus shall be determined as follows:

   Investment returns accruing to the insured shall be added or subtracted from the total surplus stated in paragraph (3) above, after calculating the revenues to which they are entitled and subtracting their accrued charges.
5. Distribution of net surplus shall be either by distributing a percentage of 10% directly to the Insured, or by lowering their Premiums for the following year, and a percentage of 90% shall be carried forward to the shareholders' income statement.

w. Shareholders' Income Statement

1. The Shareholders' profits will consist of revenues of investing shareholders' funds in accordance with the rules specified by the Board of Directors.
2. The shareholders' share in the net surplus shall be as indicated in paragraph 5 of this Article above.

x. Distribution of Profits

Shareholders' profits shall be allocated as follows:

(1) the decreed Zakat and income tax shall be set aside;

(2) Twenty per cent (20%) of the net profits shall be allocated to form the statutory reserve. The ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred per cent of the Company's paid-up capital;

(3) the Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of the annual net profits to build up additional reserves allocated for a specific purpose or purposes as determined by the General Assembly;

(4) the balance shall be distributed as a first payment in the amount of at least five per cent (5%) of paid-up capital to the Shareholders;

(5) the remaining balance shall be distributed to the Shareholders as a share in the profits or to be transferred to the retained profits account; and

(6) the Board may issue a decision to distribute periodical profits to be deducted from annual profits specified in point 4 above in accordance with the rules and regulations issued by the competent authorities.

The Company shall inform the Capital Market Authority, without any delay, of any resolutions for the distribution of profits or recommendation of the same. The distributable profits shall be distributed to the Shareholders in places and on dates as determined by the Board in accordance with the instructions of the MoCI and subject to the prior written consent of SAMA.

y. Company Losses

If the Company's losses total three quarters of its capital, then the members of the Board must call for a meeting of the extraordinary General Assembly to consider whether the Company shall continue to exist or be dissolved before the expiry of its term as stated in Article 5 of the By-Laws. In all cases the General Assembly's resolution shall be published in the Official Gazette

z. Dissolution of the Company

The Company shall be dissolved upon the expiry of its term as stated in the By-Laws or by any of the provisions of the Companies Regulation. Upon expiry of said term or if a decision has been taken to dissolve the Company before the expiry of its term, the Extraordinary General Assembly, at the recommendation of the Board of Directors, shall decide the method of liquidation, appoint one or more liquidators and specify their powers and remunerations. The powers of the Board of Directors shall cease upon the termination of the Company. However, the Board shall continue to manage the Company until the liquidator is appointed. The Company's departments shall maintain their functions to the extent that they do not conflict with the powers of the liquidators.

Upon liquidation, entitlements of subscribers to the insurance operation surplus and to reserves formed as stipulated in the By-Laws shall be taken into account.

12 - 2 Incorporation

ACIC is a public joint stock company registered in the Kingdom of Saudi Arabia in accordance with Council of Ministers Resolution No. 5, dated 08/01/1430H (corresponding to 05/01/2009G) and pursuant to Royal Decree No. M/2, dated 09/01/1430H (corresponding to 06/01/2009G). The Company started its first fiscal year following the issuance of Ministerial Resolution No. 355 dated 27/11/1430H (corresponding to 15/11/2009G) announcing the Company's incorporation. It operates under Commercial Registration No. 1010287831 issued in Riyadh on 29/11/1430H (corresponding to 17/11/2009G) and engages in different types of cooperative insurance activities in accordance with the principles of the Insurance Regulations, all under the supervision of the Saudi Arabian Monetary Agency.

The Company's registered head office is located at 2nd Floor, Abdullatif Building, Office No. 203, Tahlia Street, Suleymaniyah, Riyadh, Kingdom of Saudi Arabia. The Company has two branch offices as follows:

- Jeddah - Obeikan Commercial Center, Suite No. 5 and 6, Prince Sultan Street, operating under Commercial Registration No. 4030194978, dated 26/05/1431H (corresponding to 10/05/2010G)
- Al Khobar - Al-Dewan Commercial Center, Suite No. 107 and 108, Al Dhahran Street, operating under Commercial Registration No. 2051042939, dated 10/06/1431H (corresponding to 24/05/2010G)

The share capital of the Company is currently two hundred million Saudi Riyals (SAR 200,000,000) consisting of twenty million (20,000,000) shares with a nominal value of ten Saudi Riyals each (SAR 10). The founding shareholders own fourteen million (14,000,000) shares representing 70% of the share capital of the Company. The remaining six million (6,000,000) shares representing 30% are owned by the public pursuant to an initial public offering held from 14/10/1430H (corresponding to 03/10/2009G) to 20/10/1430H (corresponding to 9/10/2009G) at an offer price of SAR 10.

12 - 3 Licensing

The Board of Directors declares that the Company is in possession of all licences and approvals required for its operations as follows:

Table 12-1: Summary of Company's Licenses

License Type	Purpose	License Number	Expiry Date	Issuing Authority
Commercial Registration Certificate	Main (Riyadh) registration	1010287831	29/11/1439H (corresponding to 11/08/2018G)	MoCI
Commercial Registration Certificate	Jeddah Branch registration and Incorporation	4030194978	26/05/1440H (corresponding to 02/02/2019G)	MoCI
Commercial Registration Certificate	Al Khobar Branch registration	2051042939	09/10/1436H (corresponding to 25/07/2015G)	MoCI
Insurance License	Authorization to engage in Insurance and re-insurance activities	TMN/24/200912	25/12/1436H (corresponding to 09/10/2015G)	SAMA
CCHI Permit	Health Insurance license	DH/2T/35/451	18/5/1438H (corresponding to 15/2/2017G)	Council of Cooperative Health Insurance
SAGIA license	Foreign investment license	11203003453-01	04/03/1436H (corresponding to 26/12/2014G)	Saudi Arabian General Investment Authority.
Saudisation Certificate	Fulfilment of Saudisation Requirements	264365 - 1	04/11/1435H (corresponding to 30/08/2014G)	Ministry of Labour.
DZIT Certificate	Membership	7536	11/07/1436H (corresponding to 30/04/2015G)	Department of Zakat and Income Tax
GOSI Certificate	Compliance with public pension payments	503793466	05/02/1436H (corresponding to 09/12/2014H)	General Organization for Social Insurance
Chamber of Commerce Certificate	Chamber Membership	101000232101	31/12/2014 G	Riyadh Chamber of Commerce and Industry

Source: Company

12 - 4 Material contracts

12 - 4 - 1 Shareholders Agreement

RSA ME and Riyad Bank entered into a govern the relationship between them in relation to the Company and its operations. The Company executed a deed of adherence to be bound by the obligations applicable to it, as required under the Shareholders Agreement.

Subject to the limitations of applicable laws, relevant regulatory approvals and the provisions described in this section, the parties are free to transfer their Shares. Neither party shall, without the prior written consent of the other party, pledge, mortgage (whether by way of fixed or floating charge) or otherwise encumber its legal or beneficial interest in its Shares in the Company.

The Board will comprise nine (9) Directors each having a term not exceeding three (3) years unless otherwise agreed between the parties to the shareholder's agreement. At least two (2) or one third (whichever is greater) of the Board shall be independent. The Board shall be appointed by the General Assembly except for the first Board which shall be appointed by the Constituent General Assembly. RSA ME shall nominate four (4) Directors for so long as it owns not less than 40 per cent of the voting Shares in the Company and Riyad bank shall nominate two (2) Directors for so long as it owns not less than 15 per cent of the voting Shares in the Company. If the share ownership percentage of RSA ME and Riyad Bank reaches below these thresholds, each party is entitled to appoint shareholders in pro rata proportion to its shareholding and at a minimum of two directors for RSA ME and one director for Riyad Bank.

RSA ME will have the right to propose one (1) further independent Director from the earlier of two (2) years from when the first Board is appointed, or the date when one (1) of the independent Directors ceases to be a Director.

The agreement will terminate if the Company is wound up, if both parties agree, or at such date as the parties cease to hold among them 40 per cent or more of the Shares or if either party transfers all of its Shares. Furthermore, the agreement shall terminate at the discretion of (i) Riyad Bank if RSA ME (or an associated company or related person of RSA ME) ceases to hold 25 per cent or more of the Shares and (ii) RSA ME if Riyad Bank ceases to hold ten per cent or more of the Shares.

The agreement is governed by the laws of Saudi Arabia and is subject to the jurisdiction of the competent court or tribunal of Saudi Arabia.

12 - 4 - 2 Portfolio Transfer Agreement

RSA ME and the Company entered into a Portfolio Transfer Agreement which became effective following the approval of SAMA on 26/03/1433H (corresponding to 18/02/2012G) and the Extraordinary General Assembly held on 17/04/2012G (corresponding to (25/05/1433H). The portfolio has been transferred to the Company and has been reassessed and financial Statements for the Company for the period between the Company's establishment (15/11/2009G) until the first quarter of 2012 were reissued on 18/04/2012 for the purpose of transferring the portfolio.

RSA ME agreed to transfer the Portfolio (comprising both renewal rights and rights and obligations under existing policies) to the Company to the fullest extent legally possible, subject to all liabilities and obligations and together with all accrued benefits and rights attaching thereto.

RSA ME's KSA insurance portfolio is intended to include all existing insurance policies and the right to renew any such policies, subject to complying with all regulatory requirements (including, obtaining necessary approvals and consents in the KSA and the Kingdom of Bahrain, as well as the approval of non-interested shareholders of the Company).

The consideration for the sale and purchase of the Portfolio is SAR 64,100,000 payable in annual instalments calculated as a fixed percentage of the Company's profits subject to:

1) The percentage of profits payable each year will not exceed fifty per cent (50%) of the profits earned in that year;
2) SAMA's determination after consultation with the Buyer and taking into account the business plan submitted to SAMA;
3) In accordance with the limitation period set by SAMA the instalments shall be paid by the end of 2015 Gregorian unless SAMA's consent for an extension is obtained;
4) The total amount to be paid for the Portfolio will allow for the time value of money on a basis to be determined by SAMA at the date of transfer;
5) If no profits are made in a year then no payment will be made in that year and payments cannot be made out of any retained profits from earlier years;

6) Each payment made will need to be approved by SAMA before it is paid.

The Company has not achieved any profits since it obtained SAMA approval. In accordance with SAMA conditions for approval of portfolio transfer, the Company may not pay any amounts to RSA Group for the purchase of the portfolio until the Company yields profits. Thus, the Company has not paid any amounts to RSA Group for purchase of the portfolio, thus, calculation of the purchase price remains at SAR 64,100,000 to be due as stated above.

The Reserves Transfer Amount shall be the sum of one hundred and forty four million three hundred and eighty five thousand one hundred and sixty one Saudi Riyals (SAR 144,385,161.00) being total assets equal to the total liabilities being transferred as determined in the Transfer Balance Sheet, subject to SAMA's guidelines, consents and instructions. No amounts will be transferred to RSA as the transfer was made without consideration due to the claims being equal the assets, valued at zero.

The agreement includes arrangements which are intended to transfer the benefit of RSA ME's existing reinsurances in respect of the Portfolio to the Company. These include seeking the specific endorsement of reinsurers under certain current and prior year Reinsurance agreements to the Company obtaining such benefit.

Following the transfer, the Company shall assume all of RSA ME's liabilities in respect of the Portfolio (subject to certain exceptions) and will indemnify and keep RSA ME indemnified against any liability RSA ME suffers as a result of any claim made against RSA ME in connection with the policies being transferred.

The agreement is governed by the laws of Saudi Arabia and is subject to the jurisdiction of the competent court or tribunal of Saudi Arabia.

12 - 4 - 3 Asset Purchase Agreement

Al Alamiya for Commerce and Services Limited(ACS) and the Company entered into an Asset Purchase Agreement, which became effective following the approval of SAMA on 26/03/1433H (corresponding to 18/02/2012G) and the Extraordinary General Assembly held on 17/04/2012G (corresponding to (25/05/1433H) on the Portfolio Transfer Agreement.

Under this agreement, ACS sold and transferred to the Company all of its assets which are primarily used in connection with the sale and administration of insurance products in the KSA (other than certain excluded assets, such as corporate and fiscal records and capital that must be retained by law). The assets transferred consists of documents, books, records, employment contracts for employees, any intangible or intellectual property, and the rights to licenses, certificates, franchises, permits or registrations, to the extern permitted by law. In addition, the Company will assume certain liabilities under certain contracts and licences as described in the agreement.

No purchase price was payable by the Company to ACS for the transfer of assets in consideration for the net tangible asset value of ACS' business, since the transfer was made without consideration due to the gross assets being equal to the total claims (i.e., the claims equal the assets, equivalent to zero), pursuant to the Portfolio Transfer Agreement and in line with SAMA guidelines and approvals.

The Company assumes and agrees to perform the future performance and obligations under all licences, permits, leases and contracts, except for debts, liabilities or obligations which are expressly excluded from the scope of the agreement.

Under the agreement the current employees of ACS together with associated liabilities will also transfer to the Company.

Each party agrees to indemnify the other party against any and all losses, costs, and expenses resulting from a breach of the agreement.

The agreement is governed by the laws of Saudi Arabia and subject to the jurisdiction of the competent court or tribunal of Saudi Arabia.

12 - 4 - 4 Memorandum of Understanding

Pursuant to a Memorandum of Understanding ("MOU") between ACS and Najm Company for Insurance Services ("Najm") executed on 8 August 2009, ACS agreed to pay to Najm SAR 1,923,078 in connection with its investment in 1% of Najm and extend to Najm a SAR 500,000 an interest free loan. ACS paid the above-noted amounts to Najm. Under the MOU, ACS pledged to transfer the shares to the Company after incorporation of the Company.

The Board of the Company approved and ratified the Board resolution dated 13 April 2011 that was circulated and approved for initiating the transfer from ACS to the Company of the shares held by ACS in Najm and the interest free loan provided by ACS to Najm.

On 14 April 2011, the Company paid SAR 1,923,078 and SAR 500,000 to ACS as part of the consideration paid under the Asset Purchase Agreement for the transfer of the 1% interest in Najm and loan benefit respectively, thus, the rights were transferred.

12 - 4 - 5 Intellectual Property License Agreement

RSA Group and the Company entered into an Intellectual Property Licensing Agreement on 11 March 2014, granting the Company a license to use certain trademarks and other intellectual property rights ("**RSA Brand**") in connection with the provision of the Company's insurance services in the KSA. Under the agreement the Company is granted a non-exclusive, non-transferable licence to use the RSA Brand in the KSA subject to certain rights reserved to RSA Group.

A licence fee in the amount of GBP 5000, which the parties agree represents a fair, arm's length fee for the license. The license fee shall be revised annually within sixty (60) days of the start of the Company's financial year to ensure that the license fee continues to represent a fair proportion on an arm's length basis.

The agreement will terminate automatically with immediate effect if RSA Group ceases to be an indirect shareholder of the Company, holding fewer than 25% of the shares in the Company.

RSA Group may also terminate the licence if the Company (i) challenges the validity of RSA Group's ownership of the rights or registration under the agreement; (ii) acts or omits to act in a manner to bring RSA Group and/or the trademark into disrepute; (iii) is in material breach of any provision of the agreement or fails to remedy a material breach within thirty (30) days.

The Company will have no ownership rights in the RSA Brand nor will it have any right to assign or sub-licence use of the RSA Brand without the prior written consent of RSA Group.

The agreement is governed by the laws of England and Wales and subject to the jurisdiction of the English Courts.

12 - 4 - 6 Technical and Management Services Agreement

RSA Group and the Company entered into a Technical Services Agreement dated 11 March 2014, effective as of 1 January 2012, and remains in force for a period of one year, after which it continues to remain in force until either party gives notice of termination.

Under the agreement RSA Group and other group companies will provide technical services and advice to the Company in connection with the following areas and any additional services not specifically agreed upon (except for certain excluded activities):

- risk and regulatory compliance;
- financial information;
- financing and tax;
- underwriting, claims and reinsurance;
- strategy and planning;
- information technology;
- human resources;
- internal audit; and
- legal and corporate secretarial affairs

The Company agrees to pay service fees calculated on an arms' length basis with independent benchmarking analysis for Agreed Services and Additional Services, as those terms are defined in the agreement, based upon the full cost accounting method, along with certain mark-ups ranging from 5% to 10%, depending on the nature of the service requested.

Either party may terminate the agreement with immediate effect in the event of repeated failure of the other party to comply with its material obligations under the agreement or on the occurrence of force majeure event. Either party is entitled to terminate the agreement for any reason by providing no less than thirty days written notice to the other party.

Liability of RSA Group for a material breach of the agreement is limited to cases where the Company proves negligence or wrongful intent, provided that RSA Group shall not be liable for consequential damages and the amount of damages claimed in respect of all breaches during one calendar year must not exceed the service fee which the Company pays or owes to RSA Group in respect of such year. RSA Group's liability for torts committed by third-parties whom they have engaged shall be limited to the amount of damages that RSA Group actually recovers from the third-party.

The agreement is governed by the laws of Saudi Arabia and subject to the jurisdiction of the Courts in Saudi Arabia.

12 - 4 - 7 Reinsurance Treaties

The Company has several reinsurance treaties in place with individual reinsurers as well as syndicates to reduce its exposure of loss from its various lines of business and pass part of the risk of loss to those reinsurers.

1. Non-proportional reinsurance agreement with several companies (Transatlantic Reinsurance, QBE Re, Hiscox Syndicates 13, RNV, Aspen Insurance, XL Re Europe, Canopius Lloyd's Syndicates 4444 and Canopius Lloyd's Syndicates 0958), for non-proportional fire and engineering coverage. These agreements are effective from 1 January 2014 to 31 December 2014. Any party has the right to terminate these agreements by sending a notice to the other party in the following cases: (1) the other party is insolvent, unable to pay its debts, or has lost all or more than 50% of its capital; (2) there is a significant change in the management or governance of the other party; (3) if all or a portion of these agreements become prohibited under the law or regulations or by the individual will of the Company if the rating of the reinsurance company drops.

2. Non-proportional reinsurance agreement with several companies (Transatlantic Reinsurance, QBE Re, Hiscox Syndicates 13, RNV, Aspen Insurance, XL Re Europe, Canopius Lloyd's Syndicates 4444 and Canopius Lloyd's Syndicates 0958), for non-proportional catastrophe coverage. These agreements are effective from 1 January 2014 to 31 December 2014. Any party has the right to terminate these agreements by sending a notice to the other party in the following cases: (1) the other party is insolvent, unable to pay its debts, or has lost all or more than 50% of its capital; (2) there is a significant change in the management or governance of the other party; (3) if all or a portion of these agreements become prohibited under the law or regulations or by the individual will of the Company if the rating of the reinsurance company drops.

3. Non-proportional reinsurance agreement with several companies (Navigators Lloyd's Syndicates 1221, Chubb Lloyd's Syndicates 1882, XL Re Europe, Canopius Lloyd's Syndicates 4444, RNV, Antares Lloyd's 1274, Aspen Insurance, Transatlantic Reinsurance and Canopius Lloyd's Syndicates 0958), for non-proportional coverage for marine transport (including wars, strikes, demonstrations, riotous acts, civil unrest and the approved damages). These agreements are effective from 1 January 2014 to 31 December 2014. Any party has the right to terminate these agreements by sending a notice to the other party in the following cases: (1) the other party is insolvent, unable to pay its debts, or has lost all or more than 50% of its capital; (2) there is a significant change in the management or governance of the other party; (3) if all or a portion of these agreements become prohibited under the law or regulations or by the individual will of the Company if the rating of the reinsurance company drops.

4. Non-proportional reinsurance agreement with several companies (Faraday Reinsurance Company, Hannover Re Takaful, XL Re Europe, RNV, Odyssey Re, Berkley Re, Chaucer Lloyd's Syndicates 1084, Markel Lloyd's Syndicates 3000, Canopius Lloyd's Syndicates 4444 and Canopius Lloyd's Syndicates 0958), for non-proportional coverage for motor vehicles and related third party liabilities and claims (including third party motor insurance – motor damages only insurance – personal accident insurance for drivers). These agreements are effective from 1 January 2014 to 31 December 2014. Any party has the right to terminate these agreements by sending a notice to the other party in the following cases: (1) the other party is insolvent, unable to pay its debts, or has lost all or more than 50% of its capital; (2) there is a significant change in the management or governance of the other party; (3) if all or a portion of these agreements become prohibited under the law or regulations or by the individual will of the Company if the rating of the reinsurance company drops.

5. Agreement with Munich Re of Malta for medical reinsurance. This agreement is in effect from 1 January 2014 and remains in force until one of the parties states the desire to terminate it pursuant to a notice no less than three months prior to the end of the Gregorian year. Any party has the right to terminate these agreements by sending a notice to the other party in the following cases: (1) the other party is insolvent, unable to pay its debts, or has lost all or more than 50% of its capital; (2) there is a significant change in the management or governance of the other party; (3) if all or a portion of these agreements become prohibited under the law or regulations or by the individual will of the Company if the rating of the reinsurance company drops.

6. Non-proportional reinsurance agreement with several companies (HCC International Insurance, Lloyd's Syndicate 4020, Lloyd's Syndicate 1183) for non-proportional coverage of losses resulting from the Company's medical insurance/medical insurance policy. These agreements are effective from 1 January 2014 to 31 December 2014. Any party has the right to terminate these agreements by sending a notice to the other party in the following cases: (1) the other party is insolvent, unable to pay its debts, or has lost all or more than 50% of its capital; (2) there is a significant change in the management or governance of the other party; (3) if all or a portion of these agreements become prohibited under the law or regulations or by the individual will of the Company if the rating of the reinsurance company drops.

7. Reinsurance agreement with Swiss Reinsurance Company (Swiss Re) for life insurance. The agreement is effective from 1 January 2014 to 31 December 2014. Any party may terminate these agreements at any time.

Non-proportional reinsurance agreement with Hiscox Syndicates 13 and QBE Lloyd's Syndicates 566 for non-proportional catastrophic loss for life coverage. The agreement is effective from 1 January 2014 to 31 December 2014. RSA Group, a related party, provides reinsurance for the following lines of business of the Company:

12 - 4 - 7 - 1 Fire and Engineering

a. The Company has both a Quota Share and First Surplus Treaty and a Second Surplus Treaty for both its fire business and its engineering business:

   i. Quota Share and First Surplus Treaties

   These treaties cover both specialty and non-specialty Fire business and the Engineering business. For both lines of business, the Company retains 30% of the Quota Share risk and cedes 70%, while ceding 100% of the First Surplus risk.

   Under the treaty, RSA Group covers 71% of the ceded Quota Share for Fire and Engineering while the remaining 29% ceded Quota Share is covered by other reinsurers. RSA Group also covers 100% of the entire First Surplus risk ceded by the Company for both Fire and Engineering.

   ii. Second Surplus Treaties

   The Second Surplus Treaties cover only the non-specialty Fire business and non-specialty Engineering business. The Company cedes 100% of the Second Surplus risk for both lines of business. Under the Second Surplus Treaties, RSA Group covers the entire Second Surplus risk ceded by the Company for both lines of business.

12 - 4 - 7 - 2 Marine

a. The Company has a Quota Share and First Surplus Treaty as well as a Second Surplus Treaty for its Marine business:

i. Quota Share and First and Second Surplus Treaty

The Quota Share and First Surplus Treaty and the Second Surplus Treaty cover only specialty Marine business. The Company retains 30% of the Quota Share risk and cedes 70%, and also cedes 100% of the First Surplus risk and the Second Surplus risk for Marine.

Under the treaty, RSA Group covers 71% of the ceded Quota Share for Marine while the remaining 29% ceded Quota Share is covered by other reinsurers. RSA Group also covers 100% of the entire First Surplus risk and Second Surplus risk ceded by the Company for the Marine business.

12 - 4 - 7 - 3 General Terms for the Reinsurance Treaties

All of the reinsurance treaties with RSA Group have the same terms and conditions. Either party has the right to terminate these treaties by giving the other party notice if: 1) the other party has become insolvent or unable to pay its debts or has lost the whole or more than 50% of its capital; 2) there is a material change in the management or control of the other party; and 3) the performance of the whole of or part of the treaties becomes prohibited by the law or regulation. The reinsurance treaties are governed by the laws of England and Wales and any disputes shall be referred to arbitration to be held in London, England under Reinsurance and Insurance Arbitration Society (ARIAS) arbitration rules.

12 - 4 - 8 Bancassurance Agreement

The Company and Riyad Insurance Agency, a subsidiary of Riyad Bank, entered into a Bancassurance Agreement on 29 July 2013G.

Under the agreement, the Riyad Insurance Agency, acting as an agent of the Company, will market and sell to its customers in Saudi Arabia insurance products developed by the Company.

The Company shall provide the Riyad Insurance Agency a commission for any issued or renewed policy calculated on the gross written premium, in accordance with the commission rates approved by SAMA in the Intermediary Regulations. Riyad Insurance Agency is required to return any paid commissions to the Company in the event of policy cancellation, voidance, or amendment.

The term of the agreement is one year and shall renew automatically thereafter for subsequent terms of one year, unless terminated by the mutual consent of the parties or with 60 days written notice by any party prior to the renewal date.

The agreement is governed by the laws of Saudi Arabia, and any disputes shall be settled by the jurisdiction and powers of the Committee for the Resolution of Insurance Disputes and Violations.

12 - 5 Related Party Contracts

The Company entered into a number of arrangements with, or involving one or more Founding Shareholders. These arrangements are listed below, but further described above in section 12.4 Material Contracts:

- Portfolio Transfer Agreement (see section 12.4.2 above)
- Asset Purchase Agreement (see section 121.4.3 above)
- Memorandum of Understanding (see section 12.4.4 above)
- Intellectual property License Agreement (see section 12.4.5 above)
- Technical and Management Services Agreement (see section 12.4.6 above)
- Reinsurance Agreements (see section 12.4.7 above)
- Bancassurance Agreement (see section 12.4.8 above)

12 - 5 - 1 Insurance Agreements with Riyad Bank

Riyad Bank, a Founding Shareholder in the Company, also entered into a number of insurance arrangements with the Company valued at SAR 74.5 million as at 30 September 2014, which include:

- an Insurance Service Provision Agreement with ACS, the predecessor to the Company, on 31 December 2007 for the provision of insurance coverage for vehicles owned by Riyad Bank and leased to customers under Riyad Bank's "Vehicle Lease Program," which the Company has been performing since its incorporation and which the Company and Riyad Bank amended on 31 January 2012 to revise premium rates, depreciation values, deductible amounts and introduce the requirement to benchmark pricing for the auto lease business on best practice pricing models. The agreement automatically renews for an additional Gregorian year unless either party serves the other party with a 60 days written notice to terminate. Either party may also terminate the agreement at any time by providing a written termination notice at least 90 days prior to terminating the agreement. In the event of a termination, the refunded premium will be prorated with the remaining time on the policy.
- an Property All Risks Insurance Policy (Policy No. 7000078) that provides insurance cover for residential property belonging to Riyadh Bank and leased to its customer or where the bank has a financial interest arising from a loan granted to the customer for purchase of the property. The policy coverage is effective until 30/04/2015G, unless renewed by the parties.
- a Comprehensive Personal Insurance (Group Life) Policy (Policy No. 7000088) that provides insurance cover for various home loan/mortgage customers of Riyad Bank. The plan provides eligible members with insurance coverage for all causes of death, total permanent disability, and permanent partial disability, including passive war risk. Coverage is limited to within the Kingdom of Saudi Arabia and worldwide, excluding war zones. The policy coverage is valid effective until 30/04/2015 G, unless renewed by the parties.
- a Travel Insurance Policy (Policy No. 5/1/012/7000110) that provides travel insurance coverage to the customers of Riyad Bank who hold Platinum and Gold/Titanium credit cards as well as their spouses and dependent children for worldwide business and holiday travel outside of their country of residence for up to 180 days. The policy covers accidental death (common carrier) or permanent total disability following the accident, baggage and flight delays, loss of checked baggage, and emergency medical services (worldwide). The insured must be a resident of Saudi Arabia and carry a credit card issued by Riyad Bank. The policy coverage is effective until 18/07/2014G, unless renewed by the parties.

Insurance policies with certain directors' companies

The Company entered into a number of insurance arrangements on an arm's length basis with companies in which certain directors may have an interest, which were approved at the Company's General Assembly Meeting held on 05/06/2014 G and disclosed in the Company's Board Annual Report for 2013. These include:

- five Property "All Risk" Insurance Policies written by the Company and issued to the Pan Gulf Group of Companies, whose board member, Khalid Abdulaziz Al Hamdan, is an independent director of the Company. Under the policies, the Company provides property insurance cover for various buildings in Saudi Arabia for Pan Gulf Industrial System, Pan Gulf Optics, Pan Gulf- Safar Trading, Pan Gulf Valve Services, and Pan Gulf Welding Solutions. The Company has realized SAR 3,646,562 in GWP from these policies for the period ended 31/12/2013G. The period of coverage for all of the policies is effective until 31/03/2015G, unless renewed by the parties.
- a Fire Insurance Policy written by the Company and issued to Seder Group, whose board member, Mohammed Saud Al-Blehed, is an independent director of the Company. Under the policies, the Company provides fire insurance cover for various building in Saudi Arabia for Seder Group. The Company has realized SAR 134,688 in GWP from this policy for the period ended 31/12/2013G. The period of coverage for this policy is effective until 31/10/2014G, unless renewed by the parties.
- a Motor Vehicle Insurance Policies written by the Company and issued to Osama Abdul Bagi Bukhari, a non-executive director of the Company, who represents Riyad Bank. Under the policy, the Company provides motor vehicle insurance cover for the Mr. Bukhari's personal vehicle. The Company has realized SAR 10,078 in GWP from this policy for the period ended 31/12/2013G. The period of coverage for this policy is effective until 17/07/2014G, unless renewed by the parties.
- three Motor Vehicle Insurance Policies and two Travel Insurance Policies written by the Company and issued to Khalid Gaafer Allagany, the Managing Director, CEO and Director of the Company. Under the policies, the Company provides motor vehicle insurance cover for the Managing Director's personal vehicles. The Company has realized SAR 21,310 in GWP from these policies for the period ended 31/12/2013G Two of the policies are effective until 19/11/2014G and one policy is effective until 11/12/2014G, unless renewed by the parties.

12 - 6 Disputes and Litigation

The Company confirms that as of the date of this Prospectus, the Company is not party to any litigation or claim that may have a material adverse effect on the Company's business or financial position. However, the Company has received insurance claims related to insurance contracts issued by the Company to its customers some of which have not yet settled. There are five insurance claims related to motor insurance coverage that are pending before the Committee for the Resolution of Insurance Disputes and Violations. As at 15/11/2014G, the total value of these claims, detailed in the table below, was SAR 750,000. These insurance claims arise in the ordinary course of the Company's business, are currently being processed and are unlikely to have a material adverse effect on the Company's business or financial position. To the best of its knowledge, the Company's management also confirms that there is no existing or threatened claim or litigation against the Company.

No.	Date	Insurance Product	Type of Dispute	Entity	Claim Amount (SAR)
1	26/11/2013G	Personal	Claim for compensation	Insurance Dispute Committee	300,000
2	23/01/2014G	Personal	Claim for compensation	Insurance Dispute Committee	30,000
3	26/02/2014G	Personal	Claim for compensation	Insurance Dispute Committee	400,000
4	11/03/2014G	Personal	Claim for compensation	Insurance Dispute Committee	20,000

The Company's former CFO has filed a lawsuit in Bahrain against RSA ME, a Founding Shareholder, alleging unlawful termination of employment with the Company. The former CFO's employment contract was signed with RSA ME and not the Company, which is reason the lawsuit has not been filed against the Company. The former CFO is claiming compensation of BHD 52,583 (or SAR 523,206) in addition to unpaid wages of BHD 18,680 (SAR 185,868) for the period of January 2013 to March 2013 in addition to any other dues. The lawsuit is still under review by the Bahraini courts and the court is currently hearing and studying the pleas of the claimants. The former CFO may bring a potential claim against the Company for unlawful termination, if the lawsuit in Bahrain is dismissed. Any potential lawsuit by the former CFO is unlikely to have a material adverse effect on the Company.

12 - 6 - 1 DZIT

Zakat and corporate tax return for the period ended 31 December 2010 has been filed with the DZIT based on pre-portfolio transfer results of the company. The DZIT has issued an initial assessment, pending detailed review, with a demand for an additional liability of SR 2,811,320. The company has filed an appeal with the DZIT against the assessment order. As the transfer of insurance portfolio has now been affected, the company is in the process of filing an amended zakat and income tax return for the period 2010 together with reissued Financial Statements.

The DZIT issued initial assessments for the years 2011 and 2012 with a demand for additional liabilities of SR 500,000 and SR 2,587,561, respectively. The Company has filed appeals with the DZIT against these assessments and is pending review by the DZIT.

Zakat and income tax return for the year ended 31 December 2013 has been filed with the DZIT within the statutory time limit and is pending review by the DZIT.

12 - 7 Intellectual Property

As of the date of this Prospectus, the Company has no registered trademarks, patents and other intellectual properties other than its commercial name “Al Alamiya for Cooperative Insurance Company.” The Company applied for but was denied a trademark registration for the trademark “Al Alamiya.” (See section 2.1.16 – “Risks Related to Trademark Protection”).

The Company entered into a licensing agreement on 11 March 2014 with RSA Group in relation to the use of the RSA trademarks and logo. (Please see section 12.4.5 for a summary of this agreement.)

12 - 8 Insurance

The Company has issued the following insurance policies to provide coverage to its staff and/or to indemnify the Company against losses or damages. With the exception of the Group Life Policy issued by Zurich, all other policies are issued by the Company on a self-insured basis:

- Medical Insurance Policy (approved by SAMA on 11/04/1431H)
- Group Life Insurance Policy (with Zurich insurance)
- Motor Insurance Policy (approved by SAMA on 27/07/1433H)
- Property All Risk Insurance Policy (approved by SAMA on 14/03/1431H)
- Business Interruption Insurance / Loss of Profits Policy (approved by SAMA on 14/03/1431H)
- Public Liability Insurance Policy (approved by SAMA on 24/01/1433H)
- Workmen Compensation Insurance Policy (approved by SAMA on 14/03/1431H)
- Employee Dishonesty Insurance Policy (approved by SAMA on 14/03/1431H)
- Travel Insurance Policy (approved by SAMA on 14/03/1431H)
- Money Insurance Policy (approved by SAMA on 14/03/1431H)
- Electronic Equipment Insurance Policy (approved by SAMA on 14/03/1431H)

All of the above policies are effective until 30/04/2015G.

12 - 9 Property Insurance

12 - 9 - 1 Freehold

As of the date of this Prospectus, the Company does not own or hold title to any real property.

12 - 9 - 2 Leasehold

The Company is leasing its head office situated in Riyadh and its branches situated in Jeddah and Al Khobar. A summary of these lease agreements are below.

Table 12-2: Summary of Company's Lease Agreements

Riyadh Head Office Lease Agreement	
Parties	
Lease Agreement entered into on 26/08/1432H (corresponding to 27/07/2011G) between:	
(a)	Omar Sulaiman Al-Abdullatif (Lessor); and
(b)	Al Alamiya for Cooperative Insurance Company (Lessee)
Lease	
Offices No. 202 and 203 covering an area of approximately 698M2 on Prince Mohammed bin Abdulaziz Road, Riyadh, Kingdom of Saudi Arabia. The annual rent is SAR 418,800 plus 5% (SAR 20,940) to cover maintenance and service for a total of SAR 439,740. The rent payment is due in two equal instalments due at the beginning of the year and mid-year.	
Term	
(a)	Two (2) years starting on 01/10/1432H (corresponding to 30/08/2011G) and ending on 30/09/1434H (corresponding to 07/08/2013G); and
(b)	The agreement is automatically renewed for similar periods, unless either party notifies the other party in writing of its intention not to renew the lease at least two months prior to the end of the term. In the event that the Company fails to pay rent within one month of its due date or breaches any terms of the lease agreement, the lessor has the right to terminate the lease and cut access to all utilities to the property. The Company shall be liable to the landlord for the remainder of the lease term.
Right to Sub-let and Assign	
The Lessee is prohibited from assigning or sub-letting the lease whether wholly or partially to third parties.	

Jeddah Branch Lease Agreement	
Parties	
Lease Agreement entered into on 01/01/2014G between:	
(a)	Obeikan Real Estate Investment (Lessor); and
(b)	Al Alamiya for Cooperative Insurance Company (Lessee)
Lease	
Obeikan Commercial Center, Suite No. 5 and 6, Prince Sultan Street, in Jeddah. The office is 507 square meters and is intended to be used by the Company to carry out its authorized activities of insurance and reinsurance services. The annual rent is SAR 349,832. The rent payment is due in two equal instalments due at the beginning of the term and six months thereafter. The Company shall also pay 10% of the annual rent to cover maintenance and services.	
Term	
(a)	One (1) calendar year starting from 01/01/2014G and terminating on 31/12/2014G
(b)	The lease will automatically renew, unless either party notifies the other party in writing of its intention not to renew the lease at least two months prior to the end of the term. If the Company fails to handover the property upon expiration of the term, the Company shall be subject to a penalty of SAR 2,000 per each day of delay.
(c)	If the Company terminates the lease prior to expiration of its term, the Company shall remain obligated to pay rent until the end of the term without any right to reimbursement if the property is rented to another tenant. In the event that the Company fails to pay rent within fifteen days of its due date or breaches any terms of the lease agreement, the lessor has the right to terminate the lease and cut access to all utilities, including electricity, water, telephone and any other utilities.
Right to Sub-let and Assign	
The Company may not assign or sublease the office or any part of the office, unless it obtains the written approval of the lessor.	

Al Khobar Branch Lease Agreement	
Parties	
Lease Agreement entered into on 23/12/1424H (corresponding to 14/02/2004G) and amended on 28/04/1435H (corresponding to 01/03/2014G) between:	
(a)	Dewan Al Jazirah Company (Lessor); and
(b)	Al Alamiya for Cooperative Insurance Company (Lessee)
Lease	
Offices No. 107, and 108 covering an area of approximately 472M2 on the first floor of Al Dewan Commercial Center situated on Dhahran Street, Khobar, Kingdom of Saudi Arabia.	
Term	
(a)	Three (3) years starting on 01/04/2004 and ending on 31/03/2007and the lease was renewed on 01/04/2014G for another three year period.
(b)	The lease will be automatically renewed for a similar period under the same terms and conditions, unless either party notifies the other party in writing of its intention not to renew the lease at least one month prior to the end of the term.
(c)	The annual rent is SAR 175,000. The rent payment is due as a lump sum payment in advance. The cost of utilities, such as electricity, water, and telephones shall be borne by the Company. If the rent payment is delayed for more than fifteen (15) days from the date on which it is due, the Lessor shall have the option to terminate the agreement.
Right to Sub-let and Assign	
The Company may not assign or sublease the office or any part of the office, unless it obtains the written approval of the lessor.	

12 - 10 Description of Shares

12 - 10 - 1 Share Capital

The share capital of the Company is two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares each having an equal value of ten Saudi Riyals (SAR 10) each.

On 24/06/1435H (corresponding to 24/04/2014G), the Company's Board of Directors recommended increasing the Company's capital from two hundred million Saudi Riyals (SAR 200,000,000) to four hundred million Saudi Riyals (SAR 400,000,000), after obtaining the necessary regulatory approvals. The Extraordinary General Assembly of Tuesday 15/03/1436H (corresponding to 06/01/2015G) approved increasing the Company's capital by a public offering. The Offering will include 20,000,000 New Shares. The Company's capital will be increased from two hundred million Saudi Riyals (SAR 200,000,000) to four hundred million Saudi Riyals (SAR 400,000,000)

12 - 10 - 2 Share Capital Subscription

The capital has been subscribed in full. The Founding Shareholders subscribed to fourteen million (14,000,000) shares representing seventy per cent (70%) of the entire share capital. The remaining shares of 6,000,000 shares representing thirty per cent (30%) were offered for public subscription.

12 - 10 - 3 Capital Increase

After obtaining the approval of the competent authorities, the Extraordinary General Assembly may adopt a resolution to increase the Company's capital once or several times, provided that the original capital has been paid in full. Said resolution shall specify the mode of increasing the capital.

12 - 10 - 4 Capital Decrease

The extraordinary General Assembly may, after obtaining the approval of the competent authorities, reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company has suffered losses. Such resolution shall be issued only after presentation of the auditors' report on the reasons calling for such reduction, the obligations of the Company and the effect of the reduction on such obligations. The Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present documents to the Company within the time limit set above, then the Company shall pay such debt, if already due, or present a satisfactory guarantee of payment if the debt is due on a later date.

12 - 10 - 5 Trading of Shares

All the Company's shares shall be negotiable in accordance with the rules, regulations and instructions issued by the Capital Market Authority, with the exception that shares held by the Founders, may not be negotiated prior to the Company publishing the financial Statements for the first two (2) fiscal years (each year being not less than twelve (12) months) from the date of incorporation of the Company. This provision shall apply to the Founders' shares in the event that the capital is increased before expiry of the Lock-up Period. Nevertheless, it is permissible during the Lock-up Period to transfer the cash shares, in accordance with the legal provisions for the sale of rights, from one Founder to another, or to transfer to any member of the Board of Directors as security for being a director, or from the heirs of any Founder to any third party, in case of death.

The Company's By-Laws do not discuss any redemption or repurchase rights in relation to the Company's shares.

12 - 10 - 6 Voting Rights

Each Shareholder, irrespective of the number of shares they own, shall have the right to attend the Shareholders Assembly in person or by a proxy. Each Shareholder holding twenty or more shares may attend the Shareholders General Assembly and may authorise another Shareholder other than the members of the Board to attend the General Assembly on his behalf.

Votes at the meetings of the Ordinary General Assembly as well as in the Extraordinary General Assembly shall be counted on the basis of one vote for each Share.

12 - 10 - 7 Shareholders' General Assembly

The General Assembly duly constituted shall represent all the Shareholders, and shall be held in the city where the Company's head office is located.

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

The extraordinary General Assembly shall have the power to amend the By-Laws, except for such provisions as may be impermissible to be amended under applicable law. Furthermore, the extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

A meeting of the ordinary General Assembly shall be valid only if attended by Shareholders representing at least 50 per cent of the Company's capital. If such quorum cannot be attained at the first meeting, a notice shall be sent for a second meeting to be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of the Companies Regulation. The second meeting shall be deemed valid irrespective of the number of Shares represented therein.

A meeting of the extraordinary General Assembly shall be valid only if attended by Shareholders representing at least 50 per cent of the Company's capital. If such quorum cannot be attained at the first meeting, a notice for a second meeting shall be sent in the same manner provided for in the preceding paragraph. The second meeting shall be valid only if attended by a number of Shareholders representing at least one fourth of the Company's capital.

13. Underwriting

13 - 1 Underwriter

GIB Capital shall be the sole Underwriter for the Offering.

Underwriter	GIB Capital Tawuniya Towers, King Fahd Road South Tower, 3rd Floor PO Box 89589, Riyadh 11673 Saudi Arabia Tel: +966 (11) 218 0555 Fax: +966 (11) 218 0055 Website: www.gibcapital.com Email: contact@gibcapital.com

The Company and the Underwriter have entered into an underwriting agreement in connection with the Offering. The agreed principal terms of the Offering underwriting agreement are set out below.

Number of Offering Shares is 20,000,000 shares

Offer Price is SAR 10 per share

13 - 2 Summary of Underwriting Agreement

Under the terms of the underwriting agreement:

a) The Company undertakes to the underwriter that, on the Allocation Date it will issue and allocate to the Underwriter all underwritten Offer Shares that are not purchased by Eligible Shareholders as additional shares pursuant to the Offering; and

b) The Underwriter undertakes to the Company that, on the Allocation Date, it will purchase the Offer Shares that are not subscribed for at the Offer Price.

13 - 3 Fees

About SAR 10,000,000 of the Offering Proceeds will be used to pay the Offering Costs, including fees of the legal advisor, financial advisor and their legal advisors, the auditor and media and public relations advisor in addition to underwriter and receiving bank expenses, marketing, printing and distribution expenses and other expenses related to the Offering. These expenses are approximate and will be subject to final confirmation.

Offering Costs will be deducted from the Company after the Offering is complete.

14. Subscription Terms and Conditions

All Eligible Shareholders, Rights holders, and offer applicants should carefully read the full Subscription Terms and Conditions prior to completing the Subscription Application Form or form for submitting offers related to the Rump Offering, since the execution and submission of the Application Form or offer form constitutes acceptance and agreement to the Subscription Terms and Conditions.

Signing the Subscription Application Form and submitting it to the Receiving Bank is considered a binding agreement between the Company and the Eligible Person. Eligible Persons may obtain the Prospectus and Subscription Application Form from the following Receiving Banks:

14 - 1 Receiving Banks

Eligible Shareholders wishing to subscribe to the Shares Issue must submit a Subscription Application Form during the Offer Period. Subscription Application Forms can be obtained from the following Receiving Banks.

NCB الأهلي	National Commercial Bank (NCB) King Abdul Aziz Road PO Box 3555, Jeddah 21481 Saudi Arabia Tel.: +966 (12) 649 3333 Fax: +966 (12) 643 7426 Website: www.alahli.com Email: contactus@alahli.com
SABB ساب	Saudi British Bank (SABB) Prince Abdul-Aziz Bin Mansour Bin Jalawi Street PO Box 9084, Riyadh 11413 Saudi Arabia Tel.: +966 (11) 405 0677 Fax: +966 (11) 405 0660 Website: www.sabb.com Email: sabb@sabb.com
samba سامبا	SAMBA Financial Group King Abdul-Aziz Road PO Box 883, Riyadh 11421 Saudi Arabia Tel.: +966 (11) 477 4770 Fax: +966 (11) 479 7979 Website: www.samba.com Email: customercare@samba.com

14 - 2 Subscribing to the Shares

In accordance with this Prospectus, 20,000,000 Shares will be offered for subscription to the Shares Issue representing 100% of the Company's pre-offering share capital, at an Offer Price of SAR 10 per share, with a nominal value of SAR 10 and a total Offering value of SAR 20,000,000. The New Shares will be issued at one New Share for each Right. Subscription to the New Shares offered to the Registered Shareholders, as at the close of trading on the date of the EGM Meeting on Tuesday 15/03/1436H (corresponding to 06/01/2015G) (the Eligibility Date) and to the Eligible Persons who purchased Rights during the Trading Period, including Registered Shareholders who bought new Rights in addition to the Rights that they were previously entitled to.

If Eligible Persons do not exercise their Rights and subscribe for the New Shares by the end of the Second Offering Period, the Rump Shares resulting from non-exercise or sale of the Rights by Eligible Persons, will be made available to Institutional Investors during the Rump Offering.

Registered Shareholders may trade their Rights deposited in their accounts through the Saudi Stock Exchange (Tadawul). These Rights will be considered acquired by all Registered Shareholders in the Company's Shareholder Register as of the date of the EGM Meeting (Eligibility Date). Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price. The Rights shall be deposited, within, two working days after the date of the EGM Meeting. Rights will appear in the Registered Shareholders' accounts under a new symbol assigned to the Rights Issue.

The schedule and details of the Offering are as follows:

- Eligibility Date: The end of trading on the day of the EGM on Tuesday 15/03/1436H (corresponding to 06/01/2015G).
- First Offering Phase: Starts on Tuesday 22/03/1436H (corresponding to 13/01/2015G), and will continue until the end of the day Thursday 02/04/1436H (corresponding to 22/01/2015G) (the "First Offering Period") during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM Meeting. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. Subscription in New Shares will occur by submitting an Application Form to any branch of the Receiving Banks through filling out a subscription form or through subscribing electronically with the Receiving Banks that offer such services to subscribers. It should be noted that at the end of the Trading Period, if the Registered Shareholder owns a number of Rights lower than the number of Rights that were subscribed for during the same phase, his subscription application will be rejected in whole or in part. He will be informed of this rejection and a refund of the subscription amount will be issued by the Registered Shareholder's Receiving Bank.
- Rights Issue Trading Period: Trading of Rights starts on Tuesday 22/03/1436H (corresponding to 13/01/2015G) and will continue until the end of the day on Thursday 02/04/1436H (corresponding to 22/01/2015G), concurrent with the First Offering Phase. Tadawul has prepared mechanisms to regulate the trading of Rights and assigned a new symbol for ACIC's Rights Issue (separate from ACIC's trading symbol). The trading system will cancel ACIC's Rights Issue symbol once the Trading Period expires. This period includes the following options:

  a. Registered Shareholders have the following options in this period:

     1. Retain the acquired Rights as of the Eligibility Date and exercise their Rights to subscribe for the New Shares through the Receiving Banks.

     2. Sell all their Rights or a part thereof through the Exchange.

     3. Purchase additional Rights and trade them. Subscription to additional New Shares is only possible during the Second Offering Period, by filling a Subscription Application Form or through an ATM machine or through the telephone or subscribing electronically with one of the Receiving Banks that provide such services to their customers.

     4. Refrain from taking any action in relation to the Rights Issue, whether selling the Rights or exercising the right to subscribe to New Shares. The Rump Shares resulting from non-exercise or sale of those Rights will be offered during the Rump Offering.

  b. Those who purchased Rights during this period may either hold on to those Rights or sell them in part on in whole within this period. If they purchased and held on to their Rights during this period, they may exercise these Rights and subscribe for New Shares only in the Second Offering Period by filling out an Subscription Form or subscribing electronically with the Receiving Banks that offer such services to subscribers. If these Rights are not exercised by the end of the Second Offering Period, the Rump Shares resulting from non-exercise or sale of those Rights will be offered during the Rump Offering.

- Second Offering Phase: starts on Sunday 05/04/1436H (corresponding to 25/01/2015G) and will continue until the end of the day of Tuesday 07/04/1436H (corresponding to 27/01/2015G). No Shares can be traded during this period, which includes the following steps:

  a. Registered Shareholders who own Shares in the Company as of the Eligibility Date and who did not subscribe for New Shares in the Company either in whole or in part during the First Offering Phase, may exercise their Right during this phase and in the same way as defined for the First Offering Period. If they purchase additional Rights during the Trading Period, they may exercise their Rights and subscribe in the New Shares during the Second Offering Period, by filling out a Subscription Application Form, through an ATM machine, by telephone or through subscribing electronically with one of the Receiving Banks that provide such services to their customers. If they don't subscribe for these Shares by the end of this phase, then these Shares will placed on the market for the Rump Offering.

  b. Those who purchased Rights during the Trading Period and held on to them until the end of such period, may exercise their Rights and subscribe to the New Shares in this phase through the same procedures outlined in the First Offering Period. If they don't subscribe to the New Shares by the end of this phase, then the Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering.

- Rump Offering: Starts on Sunday 12/04/1436H (corresponding to 01/02/2015G) from 10:00 am to 10:00 am the next day on Monday 13/04/1436H (corresponding to 02/02/2015G). During this period, the Rump Shares will be offered to a number of Institutional Investors, procured by the Lead Manager following discussions with the Company. These institutions would thereafter present offers to purchase the Rump Shares, and the Rump Shares will be allocated to Institutional Investors in order of the value of the offers with the highest first until all of the Rump Shares have been allocated, with the Rump Shares being proportionally divided among Institutional Investors that tendered at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner.
- Final Allocation of Shares: Shares will be allocated to each investor based on the number of Rights fully and properly exercised by it. As for the persons entitled to fractional Shares, these fractions will be combined and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons pro rata to their entitlement on Thursday 23/04/1436H (corresponding to 12/02/2015G).
- Trading of the New Shares on the Market: Trading in the New Shares on the Exchange is expected to commence once all related formalities pertaining to their registration and allocation have been completed.

The Company has filed a request with the CMA for registration of the New Shares and their inclusion in the market. The Company will be submitting a request to the CMA to allow trading of the New Shares after the completion of the Offering.

Eligible Persons Who Do Not Subscribe For the New Shares:

Tadawul will modify the Company's share price at the close of the trading day on the date which the EGM was held on Tuesday 15/03/1436H (corresponding to 06/01/2015G), based on the value of the subscription and the number of New Shares issued under this Prospectus, in addition to the market value of listed shares at closing time. Registered Shareholders who do not participate in whole or in part in the New Shares subscription will be subject to a decrease in their percentage of ownership in the Company and the value of the Shares they currently hold. Eligible Persons who did not subscribe to and did not sell their Rights will be vulnerable to losses. Eligible Persons who do not subscribe for New Shares will not get any compensation for not subscribing for the New Shares, except to receive proportional cash compensation from the proceeds of the sale in excess of the paid Offer Price of the Rump Shares (if any). Registered Shareholders will retain the same number of Shares that they owned before the capital increase.

If Institutional Investors wish to buy the Rump Shares at the Offer Price only, or if they do not wish to subscribe and the Underwriter therefore covers the Rump Shares at the Offer Price, then the non-participating Eligible Persons will not receive any compensation as a result of them not subscribing for the New Shares by exercising their Rights.

Compensation amounts (if any) will be paid to the Eligible Persons who did not subscribe wholly or partially to the New Shares and to Shareholders entitled to fractional shares by dividing the compensation amount by the total number of Shares not subscribed for by Eligible Persons and the Shareholders entitled to fractional Shares. The compensation per share will thus be determined and paid to the Eligible Persons who did not subscribe to all or part of the Shares they were entitled to, as well as those entitled to fractional Shares.

14 - 2 - 1 Filling out the Subscription Application Form:

Eligible Persons wishing to exercise their full right and subscribe to the New Shares to which they are entitled, must fill and submit a completed Subscription Application Form, specifying the number of Offer Shares they are subscribing to and stating the full payable subscription amount. They must also submit the subscription monies for their full entitlement and the required accompanying documents, to one of the Receiving Banks during the Offering Period.

The number of Shares that the Eligible Person is entitled to will be calculated based on the existing Rights owned prior to the closing of the Second Offering Period. The subscription monies that the Subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Second Offering Period by SAR 10.

By completing and presenting the Subscription Application form, the Subscriber:

- Agrees to subscribe for the number of Company shares as stated in the Subscription Application Form.
- Warrants that he/she has carefully read the Prospectus and understood all its contents.
- Accepts the By-Laws of the Company and the terms and conditions mentioned in the Prospectus.
- Does not waive his/her right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing there from, which would directly impact the Subscriber's acceptance to subscribe had it been contained in the Prospectus.

- Declares that he/she has not previously subscribed for this Right Issue, in which case the Company has the right to reject all applications.
- Accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form.
- Warrants not canceling or amending the Subscription Application Form after submitting it to the Receiving Bank.

14 - 2 - 2 Documents to be Submitted with the Subscription Application Forms:

The Subscription Application Form must be submitted together with the following documents, as applicable by each case, and the Receiving Banks shall match the copy of each document with the original document and then return the original documents to the Subscriber:

- Original and copy of the personal identification card (in case of an individual subscriber);
- Original and copy of the family identification card (for family members).
- Original and copy of the power of attorney (in case of authorizing another person for the subscription).
- Original and copy of the custody deed (for orphans) (for individual subscribers).
- Original and copy of the residence permit (Iqama) for non-Saudis, whenever applicable (for individual subscribers).
- Original and copy of the commercial registration in case of legal entities.

The subscription amount shall be paid in full, upon submission of the Subscription Application Form to a branch of one of the Receiving Banks, through authorizing the Receiving Bank to debit the account of the Subscriber at the Receiving Bank with the required amount, or through a certified check drawn at one of the local banks and registered under the name of the Company.

Power of attorney will be restricted to first degree relatives (children, parents, wife, husband). In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He shall attach the original and a copy of a valid power of attorney issued by a notary public for those who are living in Saudi Arabia or legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia.

14 - 2 - 3 Submission of the Subscription Application Form

Receiving Banks shall start receiving subscription applications in their branches in the KSA during the First and Second Offering Periods. Subscription applications can only be submitted by Institutional Investors for any Rump Shares during the Rump Offering. Subscription applications can be delivered during either of the offering periods either through a branch of the Receiving Banks or the tele-banking services section or automated teller machines (ATMs) or internet banking of any of the Receiving Banks providing such services. It is to be noted that the Subscription Application Form includes further information to be strictly followed. Upon signing and submitting the Subscription Application Form, the Receiving Bank shall stamp it and provide the Subscriber with a copy thereof. If the information filled in the form turns out to be incomplete or incorrect or the form is not stamped by the Receiving Bank, the Subscription Application Form will be considered void. The Eligible Person must accept the subscription terms and conditions and fill all sections of the Subscription Application Form. In case the form completed by an applicant does not meet any of the subscription terms and conditions, the Company shall have the right to reject that application in part or whole. Any application providing incomplete or incorrect information or not stamped by the Receiving Banks will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Banks, and shall be considered a binding contract between the Subscriber and the Company, once approved by the Company.

The Eligible Person Subscriber is deemed to have bought the number of shares allocated to him when the following terms are fulfilled:

- Delivery by the Eligible Persons of the Subscription Application Form to any of the Receiving Banks' branches.
- Payment in full by the Eligible Person to the Receiving Banks of the total Offer Price (as specified above) of the Shares subscribed for.
- Delivery to the Eligible Person by the Receiving Banks of the allocation letter specifying the number of Shares allocated to him/her.

It should be noted that Eligible Persons will not be allocated shares exceeding the number of New Shares that they subscribed for.

Allocation

The Company and Lead Manager shall open an escrow account called “Al Alamiya for Cooperative Insurance Company Account”, in which the subscription proceeds shall be deposited. The New Shares shall be allocated to each investor based upon the number of Rights that he/she properly exercised. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and fractional Shares up to the paid Offer Price shall be distributed to the Company and any proceeds in excess of the paid Offer Price shall be distributed to the Eligible Persons pro rata to their entitlement on Thursday 23/04/1436H (corresponding to 12/02/2015G). Excess unsubscribed for Shares shall be purchased by and allocated to the Underwriter.

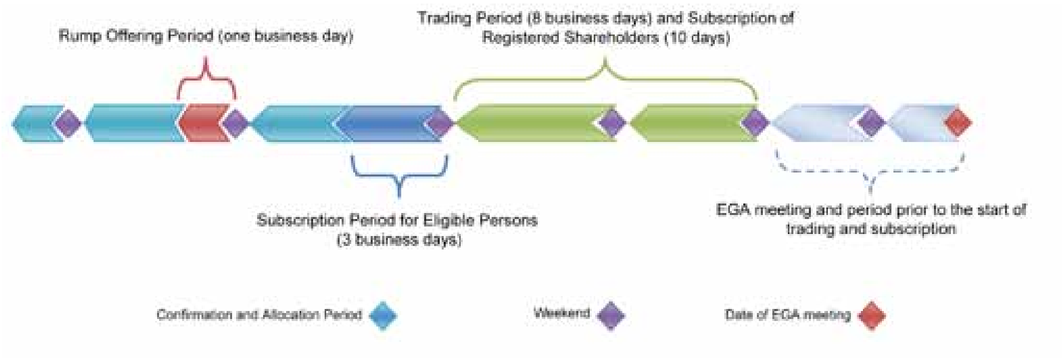
Final announcement of the final number of New Shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager or Receiving Banks, shall occur through the New Shares being deposited in the accounts of Subscribers with the Receiving Banks. Eligible Persons shall contact the branch of the Receiving Bank where they submitted the Subscription Application Form to obtain any further information. Announcement regarding the allocation shall be made no later than Wednesday 15/04/1436H (corresponding to 04/02/2015G).

For beneficiaries of fractional Shares, these Shares shall be collected and offered to Institutional Investors during the Rump Offering. All sale proceeds resulting from the Rump Offering in excess of the paid Offer Price shall be distributed to the Eligible Persons pro rata to their entitlement not later than Thursday 23/04/1436H (corresponding to 12/02/2015G).

14 - 3 Payment of Compensation

The compensation to Eligible Persons who do not subscribe for all or part of the Rights Issue, if any, shall be paid no later than Thursday 23/04/1436H (corresponding to 12/02/2015G).

Diagram of New Shares Mechanism



Q & A about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe to the New Shares upon approval of the capital increase. They are acquired right for all registered shareholders in the Company’s Register as at the close of trading on the date of the EGM meeting. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

Who is granted the Rights?

Rights are granted to all Registered Shareholders in the Company’s Register as at the close of trading on the date of the EGM.

When are the Rights deposited?

The Rights are deposited within two days after the EGM meeting. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or subscribed for until the beginning of the Trading Period and the Offering Period.

How are Registered Shareholders notified of the Rights being deposited in their accounts?

Registered Shareholders are notified through an announcement on the Tadawul website.

How many Rights can be acquired by a Registered Shareholder?

The number of Rights to be acquired by a Registered Shareholder depends upon the Rights Issue ratio and the number of Shares held by the Registered Shareholder as at the close of trading on the date of the EGM meeting.

What is the Rights Issue ratio?

It is the ratio that permits the Registered Shareholder to know how many Rights he/she is entitled to in relation to the Shares that he/she owned on the date of the EGM. If a company, for example, issues 1,000 shares and increases its capital by offering 200 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 5 (one new share for every existing five shares).

Are these Rights tradable and will they be added to the Shareholders accounts under the same name/symbol as the Company's shares; or will they be assigned a new name?

The Rights will be deposited in Shareholders' accounts under a new symbol specially assigned to the Rights Issue.

What is the Right value upon the commencement of trading?

The Right opening price is the difference between the closing price of the Company's share on the day preceding the Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 35 and the Offer Price is SAR 10, the opening price of the Rights will be 35 minus 10, i.e. SAR 25.

Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares only by purchasing new Rights during the Trading Period. These Rights can be exercised to subscribe for the new additional shares only during the Second Offering Phase.

How does the Offering take place?

The Offering will take place as it currently does by submitting Subscription Application Forms at any of the Receiving Banks' branches (mentioned in this Prospectus) and only during the First and/or Second Offering Periods.

Are share certificate holders allowed to subscribe and trade?

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in investment accounts through the Receiving Banks or Tadawul's depository center and submitting the requisite documents.

What happens if New Shares are subscribed for, and then the Rights are sold after that?

If a Registered Shareholder subscribes, then sells the Rights without purchasing a number of Rights equal to the number of exercised Rights prior to the end of the Offering period, then the Subscription Application will be rejected entirely, if all Rights have been sold, or partly in an amount equal to the number of Rights sold. In this case, the Registered Shareholder will be notified by its Receiving Bank and the rejected Offering amount will be refunded.

Are additional Rights purchasers entitled to trade them again?

Yes, purchasers of additional Rights may sell them and purchase other Rights only during the Trading Period.

Is it possible to sell a part of these Rights?

Yes, the investor may sell a part of these Rights and subscribe for the remaining part.

Is it possible to subscribe during the weekend between the First and Second Offering Periods?

No, that is not possible.

When can a shareholder subscribe to Rights purchased during the Trading Period?

During the second period only, after the end of the Rights Trading Period.

Can an Eligible Person sell the Right after the end of the Trading Period?

That is not possible. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe for the capital increase. If the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

What happens to Rights Issue that are unsold or unsubscribed for during the Trading Period as well as the First and Second Offering Phases?

The Rump Shares resulting from a failure to exercise or sell these Rights will be offered during the Rump Offering, organized by the Lead Manager according to the standards set forth in this Prospectus.

Will there be any additional fees for the trading in Rights?

The same commissions applying to the shares will also apply on sale and purchase transactions, without a minimum commission being imposed.

14 - 4 Miscellaneous Items

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The terms and conditions and any receipt of the Subscription Application Forms or contracts resulting there from shall be governed by, and interpreted and implemented in accordance with, the laws in force in Saudi Arabia. The Prospectus has been issued in both Arabic and English Languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

The CMA has approved this Offering Prospectus. However, the CMA may suspend this Offering if at any time after the Prospectus has been approved by the CMA and before the admission of the New Shares to listing, the Company becomes aware that (1) there has been a significant change in any material information contained in this Prospectus or any documentation required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. In both cases, the Company shall submit to the CMA a supplementary Prospectus based on the Listing Rules requirements. At that time, the supplementary Prospectus and the ensuing Offering dates will be published. This Offering may also be suspended if the Extraordinary General Assembly does not approve the Offering details.

14 - 5 Trading of New Shares

Trading of the Offer Shares will commence immediately upon the completion of all procedures related to the Offering. This is expected to be after allocation of the New Shares in coordination with the CMA and will be announced subsequently.

14 - 6 The Saudi Arabian Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Share Information System (ESIS) and electronic trading in the KSA began in 1989GTadawul.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order to settlement. Trading occurs each business day (Saturday to Wednesday) between 11.00 am to 3.30 pm. After close of exchange trading, orders can be entered, amended or deleted from 10.00 pm to 11.00 am. From 10.00 am, new entries and inquiries can be made for the opening phase (starting at 11.00 am). These hours change during the holy month of Ramadan, and will be announced by Tadawul.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders are executed first, followed by orders placed at a price limit, and if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, in particular, the Tadawul website and Tadawul information link. The Tadawul information link makes market data accessible in real time to information providers such as Reuters.

Exchange transactions are settled automatically throughout the day, meaning that ownership transfer takes place immediately after the trade has been executed.

The Company is required to report all significant investor-related decisions and information via Tadawul.

Market monitoring is the responsibility of Tadawul as the operator of the market with the aim of ensuring fair trading and orderly trading.

14 - 7 Registration in the Saudi Stock Exchange

Application has been made to the Capital Market Authority for the Offer Shares to be registered and admitted to the Official List of the Saudi Stock Exchange. It is expected that Registration will be approved and that dealing in the Offer Shares will commence on Tadawul after completion of the final allotment of the Company's shares. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the CMA.

Although the Existing Shares of the Company are registered in the Official List and listed in the Stock Exchange (Tadawul), there can be no dealing in the Offer Shares until the final allocation of shares has been approved and the shares lodged in the Subscribers' accounts in Tadawul. It is completely prohibited to trade the Offer Shares before such.

Subscribers engaging in prohibited pre-trading dealing activities will be acting at their own risk and bear full responsibility in this regard. The Company shall bear no legal responsibility in such event.

Although the Existing Shares of the Company are registered in the Official List and listed in the Stock Exchange (Tadawul), there can be no dealing in the Offer Shares until after the allocation of shares to the Eligible Subscribers and Rump Offering applicants has been approved and the shares lodged in their accounts in Tadawul. It is completely prohibited to trade the Offer Shares before allocation approval.

Subscribers or Rump Offering applicants engaging in prohibited pre-trading dealing activities will be acting at their own risk and bear complete responsibility in this regard. The Company shall bear no legal responsibility in such event.

14 - 8 Offering Decisions and Approvals

SAMA approval has recently been obtained pursuant to letter No. 351000121747 dated 20/09/1435H (corresponding to 17/07/2014G) for a capital increase by two hundred million Saudi Riyals (SAR 200,000,000) through a public offering. Upon completion of the Offering, the capital will be four hundred million Saudi Riyals (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. On 24/06/1435H (corresponding to 27/04/2014G), the Company's Board of Directors recommended a capital increase to meet its needs by raising fiscal solvency. The Extraordinary General Assembly held on Tuesday 15/03/1436H (corresponding to 06/01/2015G) approved the Board's recommendation to increase the Company's capital as mentioned. The increase will be limited to Eligible Shareholders registered at the end of trading on the day of the EGA.

The publication of this Prospectus and all supporting documentation requested by the CMA have also been approved on the notice date on the Tadawul website of 09/02/1436H (corresponding to 01/12/2014G).

14 - 9 Miscellaneous Notices

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The terms and conditions and any receipt of the Subscription Application Forms or contracts resulting there from shall be governed by, and interpreted and implemented in accordance with, the laws in force in Saudi Arabia. The Prospectus has been issued in both Arabic and English Languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

The CMA has approved this Offering Prospectus. However, the CMA may suspend this Offering if at any time after the Prospectus has been approved by the CMA and before the admission of the New Shares to listing, the Company becomes aware that (1) there has been a significant change in any material information contained in this Prospectus or any documentation required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. In both cases, the Company shall submit to the CMA a supplementary Prospectus based on the Listing Rules requirements . At that time, the supplementary Prospectus and the ensuing Offering dates will be published. This Offering may also be suspended if the Extraordinary General Assembly does not approve the Offering details.

14 - 10 Change in Share price due to the capital increase

The closing price of the Company's shares on the day of the Extraordinary General Assembly was SAR 102.00 and is expected to be SAR 56.26 at the opening of the following day. The change represents a decrease of 45%.

The share price due to the capital increase is calculated as follows.

First, the market value of the Company upon closing on the day of the EGA is calculated:

Number of shares at the end of the EGA* closing price of Company's shares on the day of the EGA = market value of the Company at closing on the day of the EGA.

Second, the share price at opening on the day following the EGA is calculated:

(Company's market value upon closing on the day of the EGA + value of shares offered) / (number of shares at the end of the day of the EGA + number of Offer Shares) = anticipated share price at opening on the day following the day of the EGA.

15. Documents available for inspection

The following documents will be available in the Arabic language for inspection at the head office of the Company in Riyadh from 8.30 am to 5.00 pm three weeks prior to and during the Offering Period:

- Commercial Registration of the Company.
- By-laws of the Company.
- Recommendation of the Board of Directors in relation to the Capital Increase.
- SAMA approval on the Offering of Rights Issue.
- Approval of the Extraordinary General Assembly on the Offering of Rights Issue .
- SAMA approval.
- Written approval of the Chartered Accountant to the publication of its report within this Prospectus.
- Written approval of the Legal Advisor to make references thereto within this Prospectus.
- Written approval of the market study advisor to make references to and use its reports within this Prospectus
- The audited financial Statements of ACIC for the financial years ended 31 December 2011G, 2012G, 2013G and the six months ended 30 June 2014G.
- Material agreements
- Contracts to be disclosed pursuant to paragraph (i) of section 13 of Appendix IV of the Listing Rules (if any).

16. Auditors' Report

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

UNAUDITED INTERIM CONDENSED Financial Statements

AND INDEPENDENT AUDITORS' REVIEW REPORT

For THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2014

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

KPMG Al Fozan & Al Sadhan

Allied Accountants
Al-Bassam & Al-Nemer CPAs
P.P. License 520 / 11 / 323

INDEPENDENT AUDITORS' REVIEW REPORT
TO THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF REVIEW:

We have reviewed the accompanying interim statement of financial position of Al Alamiya for Cooperative Insurance Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2014, the related interim statements of comprehensive income for insurance and shareholders' operations for the three month and six month periods then ended, the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' cash flows for the six month period then ended and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard – 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION:

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

EMPHASIS OF MATTER:

We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

KPMG Al Fozan & Al Sadhan
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Allied accountants
Al Bassam & Al Nemer CPAs
P. O. Box 28355
Riyadh 11437
Kingdom of Saudi Arabia

Abdullah H. Al Fozan
Certified Public Accountant
License No. 348

Abdul Mohsen M. Al Nemer
Certified Public Accountant
License No. 399

17 Ramadan 1435H
(15 July 2014)

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 SR (Unaudited)	31December 2013 SR (Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	3,650,806	40,462,274
Term deposits		74,435,351	83,914,450
Investments	6(a)	1,923,079	1,923,079
Premiums and insurance balances receivable	8	101,876,929	77,173,180
Due from related parties		959,463	1,256,938
Due from shareholders' operations		75,731,669	49,320,644
Reinsurers' share of unearned premiums		52,532,317	69,121,800
Reinsurers' share of outstanding claims		466,591,938	596,366,930
Deferred policy acquisition costs		7,866,078	6,027,808
Prepayments and other assets		8,014,671	5,003,694
Property and equipment, net		1,210,900	855,456
TOTAL INSURANCE OPERATIONS' ASSETS		794,793,201	931,426,253
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	10,145,417	9,958,892
Term deposits		116,107,451	115,627,202
Investments	6(b)	27,553,684	27,404,625
Other assets		528,975	424,835
Statutory deposit		20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		174,335,527	173,415,554
TOTAL ASSETS		969,128,728	1,104,841,807

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2014

	30 June 2014 SR (Unaudited)	31 December 2013 SR (Audited)
INSURANCE OPERATIONS' LIABILITIES		
Gross outstanding claims	539,292,499	663,503,315
Gross unearned premiums	128,833,000	138,747,983
Accounts payable	3,095,530	3,769,281
Reinsurance balances payable	72,386,168	75,912,509
Due to related parties	2,770,490	3,153,965
Accrued expenses and other liabilities	30,100,679	27,775,624
Surplus distribution payable	488,001	488,001
Unearned reinsurance commission	9,264,000	8,880,200
End of service indemnities	8,562,834	9,195,375
TOTAL INSURANCE OPERATIONS' LIABILITIES	794,793,201	931,426,253
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Due to insurance operations	75,731,669	49,320,644
Due to a related party	1,058,354	1,058,354
Accrued expenses and other liabilities	11,254,993	9,929,652
TOTAL SHAREHOLDERS' LIABILITIES	88,045,016	60,308,650
SHAREHOLDERS' EQUITY		
Share capital	200,000,000	200,000,000
Unrealized gain on available for sale investments	526,529	208,689
Accumulated losses	(114,236,018)	(87,101,785)
TOTAL SHAREHOLDERS' EQUITY	86,290,511	113,106,904
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	174,335,527	173,415,554
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	969,128,728	1,104,841,807

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		For the three month period ended		For the six month period ended	
	Note	30 June 2014 SR	30 June 2013 SR	30 June 2014 SR	30 June 2013 SR
Gross written premiums		70,275,140	68,457,257	149,038,304	149,679,292
Less: Reinsurance premium ceded		(22,959,790)	(22,777,701)	(56,629,270)	(60,598,636)
Excess of loss premiums		(2,554,463)	(2,645,285)	(5,972,081)	(5,672,335)
NET WRITTEN PREMIUMS		44,760,887	43,034,271	86,436,953	83,408,321
Changes in unearned premiums, net		(3,819,500)	(5,856,000)	(6,674,500)	(11,244,000)
NET PREMIUMS EARNED		40,941,387	37,178,271	79,762,453	72,164,321
Gross claims paid		(98,801,554)	(37,792,213)	(161,454,958)	(75,230,496)
Reinsurers' share of gross claims paid		59,481,048	5,962,249	85,945,038	14,909,609
Changes in outstanding claims, net		1,765,812	(1,819,853)	(5,564,176)	4,385,072
NET CLAIMS INCURRED		(37,554,694)	(33,649,817)	(81,074,096)	(55,935,815)
Policy acquisition costs		(4,645,564)	(4,106,513)	(8,704,130)	(7,558,785)
Reinsurance commission income		6,921,573	6,009,447	13,118,168	12,120,087
Other underwriting expenses		(372,723)	(476,381)	(729,591)	(621,364)
NET UNDERWRITING SURPLUS		5,289,979	4,955,007	2,372,804	20,168,444
General and administrative expenses		(15,249,864)	(13,248,433)	(29,118,651)	(25,972,187)
Investment income		140,419	123,348	303,032	253,824
Other income		18,689	1,434	31,790	1,204
INSURANCE OPERATIONS' DEFICIT		(9,800,777)	(8,168,644)	(26,411,025)	(5,548,715)
Shareholders' appropriation from insurance operations' deficit	2	9,800,777	7,906,651	26,411,025	5,548,715
NET DEFICIT AT END OF THE PERIOD		--	(261,993)	--	--

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS' OPERATIONS (UNAUDITED)

	Notes	For the three month period ended		For the six month period ended	
		30 June 2014 SR	30 June 2013 SR	30 June 2014 SR	30 June 2013 SR
INCOME					
Shareholders' appropriation from insurance operations' deficit	2	(9,800,777)	(7,906,651)	(26,411,025)	(5,548,715)
Investment income		403,015	425,713	831,958	869,649
		(9,397,762)	(7,480,938)	(25,579,067)	(4,679,066)
General and administration expenses		(396,420)	(413,869)	(721,448)	(807,128)
NET LOSS FOR THE PERIOD		(9,794,182)	(7,894,807)	(26,300,515)	(5,486,194)
OTHER COMPREHENSIVE INCOME					
Change in fair value of available for sale investments		98,823	(30,106)	317,840	(14,274)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(9,695,359)	(7,924,913)	(25,982,675)	(5,500,468)
BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD	10	(0.49)	(0.39)	(1.32)	(0.27)

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six month period ended 30 June 2014

	Share capital	Unrealized gain on available for sale investments	Accumulated losses	Total
	SR	SR	SR	SR
Balance at 1 January 2013 (audited)	200,000,000	410,936	(62,994,250)	137,416,686
Net loss for the period	--	--	(5,486,194)	(5,486,194)
Other comprehensive income:				
Net change in fair value of available for sale investments	--	(14,274)	--	(14,274)
Total comprehensive loss	--	(14,274)	(5,486,194)	(5,500,468)
Zakat and income tax	--	--	(1,269,756)	(1,269,756)
Balance as at 30 June 2013 (unaudited)	200,000,000	396,662	(69,750,200)	130,646,462
Balance at 1 January 2014 (audited)	200,000,000	208,689	(87,101,785)	113,106,904
Net loss for the period	--	--	(26,300,515)	(26,300,515)
Other comprehensive income:				
Change in fair value of available for sale investments	--	317,840	--	317,840
Total comprehensive income / (loss)	--	317,840	(26,300,515)	(25,982,675)
Zakat and income tax	--	--	(833,718)	(833,718)
Balance as at 30 June 2014 (unaudited)	200,000,000	526,529	(114,236,018)	86,290,511

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASHFLOWS – INSURANCE OPERATIONS (UNAUDITED)

	Note	For the six month period ended	
		30 June 2014 SR	30 June 2013 SR
OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		--	--
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:			
Depreciation		276,532	418,022
Employees' end of service benefits		1,171,987	1,000,000
Provision for doubtful debt		279,444	(2,742,319)
Operating cash inflows before changes in operating assets and liabilities		1,727,963	(1,324,297)
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(24,983,193)	4,967,270
Due from related parties		297,475	(1,991,164)
Due from shareholders' operations		(26,411,025)	(5,548,715)
Reinsurers' share of outstanding claims		129,774,992	(353,892,805)
Prepayments and other assets		(3,010,977)	(4,665,032)
Reinsurers' share of unearned premiums		16,589,483	(4,000,583)
Deferred policy acquisition costs		(1,838,270)	(3,590,664)
Gross outstanding claims		(124,210,816)	349,507,733
Accounts payable		(673,751)	(8,812,100)
Reinsurance balances payable		(3,526,341)	24,034,644
Due to shareholders' operations-current account		--	(4,433,778)
Due to related parties		(383,475)	--
Accrued expenses and other liabilities		2,325,055	2,608,798
Unearned reinsurance commission income		383,800	447,966
Gross unearned premiums		(9,914,983)	15,244,583
Cash (used in) / from operations		(43,854,063)	8,551,856
Employees' end of service benefits paid		(1,804,528)	(376,426)
Net cash (used in) / from operating activities		(45,658,591)	8,175,430
INVESTING ACTIVITY			
Purchase of property and equipment		(631,976)	(65,935)
Term deposit		9,479,099	--
Net cash used in investing activity		8,847,123	(65,935)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(36,811,468)	8,109,495
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		40,462,274	57,783,343
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6	3,650,806	65,892,838

The accompanying notes 1 to 13 form an integral part of these interim condensed financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS – SHAREHOLDERS' OPERATIONS (UNAUDITED)

	Note	For the six month period ended	
		30 June 2014 SR	30 June 2013 SR
OPERATING ACTIVITIES			
Net loss for the period		(26,300,515)	(5,486,193)
Operating cash outflows before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Other assets		(104,140)	(85,814)
Due from insurance operations-current account		--	4,433,778
Due to a related party		--	1,344
Due to insurance operations		26,411,025	5,548,714
Accrued expenses and other liabilities		491,623	57,784
		497,993	4,469,613
Zakat paid		--	(474,762)
Net cash from operating activities		497,993	3,994,851
INVESTING ACTIVITIES			
Term deposits		(480,249)	--
Investments		168,781	175,963
Net cash (used in) / from investing activities		(311,468)	175,963
INCREASE IN CASH AND CASH EQUIVALENTS		186,525	4,170,814
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		9,958,892	30,878,826
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6	10,145,417	35,049,640
Non-cash transactions:			
Net change in fair value of available for sale investments		317,840	(14,274)

The accompanying notes 1 to 13 form an integral part of these interim condensed 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, Home Center Building, P.O. Box: 6393, Riyadh 11442, Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

Basis of measurement

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

Statement of compliance

The accompanying interim condensed financial statements for the three and six month periods ended 30 June 2014. ("the period") are prepared in accordance with IAS 34 – Interim Financial Reporting, do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2013.

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.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. Certain comparative amounts have been reclassified to conform to the current period presentation.

3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2013.

The Company has adopt the following new standards and amendments, which are effective for the Company's financial years starting 2014 and thereafter:

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

The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment is effective for annual periods beginning on or after 1 January 2014.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

Amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognised or reversed.

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.

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 tentatively decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINITY

The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation of uncertainty were the same as those that were applied to the reissued financial statements as at and for the year ended 31 December 2013.

5 CASH AND CASH EQUIVALENTS

	30 June 2014		31 December 2013	
	Insurance operations (Unaudited)	Shareholders' operations (Unaudited)	Insurance operations (Audited)	Shareholders' operations (Audited)
	SR	SR	SR	SR
Cash in hand	30,913	--	25,293	--
Cash at banks - Current accounts	3,619,893	10,145,417	40,436,981	9,958,892
	3,650,806	10,145,417	40,462,274	9,958,892

6 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. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

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

	30 June 2014		31 December 2013	
	Amortised cost SR	Market value SR	Amortised cost SR	Market value SR
Bonds				
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,750,000	3,747,938	3,820,509	3,845,250
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,381,000	4,480,125	4,453,943	4,434,375
Sukuks				
Saudi Electricity Company	18,896,155	19,325,621	18,921,484	19,125,000
	27,027,155	27,553,684	27,195,936	27,404,625

The investment income ranges between 2.1% to 2.8% per annum (2013: 2.1% to 2.8% per annum) in case of bonds and 2.4% per annum (2013: 2.4% per annum) in case of sukuks.

7 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 interim condensed 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.

As at 30 June 2014	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,747,938	--	--	3,747,938
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,480,125	--	--	4,480,125
Saudi Electricity Company (Sukuks)	19,325,621	--	--	19,325,621
	27,553,684	--	--	27,553,684

As at 31 December 2013	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,845,250	--	--	3,845,250
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,434,375	--	--	4,434,375
Saudi Electricity Company (Sukuks)	19,125,000	--	--	19,125,000
	27,404,625	--	--	27,404,625

The unlisted securities amounting to SR 1.92 million (2013: SR 1.92 million) 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 three-month period ended 30 June 2014, 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 SR 317,840 (2013: SR (14,274)) has been recorded in the interim statement of comprehensive income – shareholders' operations.

8 PREMIUM AND INSURANCE BALANCES RECEIVABLE

	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Premiums receivable	56,813,356	48,967,996
Receivables from insurance and reinsurance companies	26,360,883	20,501,445
Receivables from related parties	31,507,315	20,228,919
	114,681,554	89,698,360
Less: Allowance for doubtful debts	(12,804,625)	(12,525,180)
	101,876,929	77,173,180

Allowance for doubtful debts includes SR 2.76 million (31 December 2013: SR 2.6 million) against receivables from related parties.

9 STATUTORY DEPOSIT

Statutory deposit amounting to SR 20,000,000 (2013: SR 20,000,000) represents 10% of the paid up capital of the company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for Insurance Companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

10 BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD

Basic and diluted loss per share for the period has been calculated by dividing the net loss for the period by 20 million outstanding shares at the period end.

11 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. The following are the details of major related party transactions for insurance and shareholders' operations during the period and the balances at the end of the period / year:

		Amount of transactions for the six month period ended		Balance as at	
Related party	Nature of transaction	30 June 2014 (Unaudited) SR	30 June 2013 (Unaudited) SR	30 June 2014 (Unaudited) SR	31 December 2013 (Audited) SR
Shareholders / Companies under common management	Gross written Premiums	54,364,137	46,393,459	--	--
	Gross claims paid	54,282,277	35,355,568	--	--
	Reinsurance premiums ceded	9,346,205	24,053,377	--	--
	Reinsurers' share of gross claims paid	12,430,281	6,200,222	--	--
	Reinsurance commission income	2,644,244	6,850,016	--	--
	Outsourced service charges*	2,800,000	3,500,000	(15,700,000)	(12,900,000)
	Brand fee	15,050	15,050	(127,925)	(112,875)
	Reinsurers' share of gross outstanding Claims	--	--	100,303,287	161,896,613
	Gross outstanding claims	--	--	22,075,726	25,958,244
Board of directors	Remuneration and meeting fee	232,500	232,500	(728,000)	(495,500)

*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.

Key management personnel's remuneration

The remuneration of key management personnel during the period is as follows:

	Six month period ended 30 June 2014 (Unaudited) SR	Six month period ended 30 June 2013 (Unaudited) SR
Short term benefits	2,899,094	2,874,438
End of service indemnities	99,446	72,850

12 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 as stated below.

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' operation 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 three month period ended 30 June 2014 (Unaudited)						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	11,068,889	34,537,498	5,696,943	4,192,958	7,133,929	7,644,923	70,275,140
Reinsurance premiums ceded	(8,188,212)	--	(4,997,950)	(2,338,977)	(3,454,691)	(3,979,960)	(22,959,790)
Excess of loss premiums	(851,310)	(594,479)	(423,256)	(71,429)	(457,071)	(156,918)	(2,554,463)
Net written premiums	2,029,367	33,943,019	275,737	1,782,552	3,222,167	3,508,045	44,760,887
Change in unearned premiums, net	(211,999)	(2,994,970)	(85,000)	(682,992)	(300,517)	455,978	(3,819,500)
Net premiums earned	1,817,368	30,948,049	190,737	1,099,560	2,921,650	3,964,023	40,941,387
Gross claims paid	(53,948,460)	(35,003,650)	(679,993)	(4,229,958)	(2,154,520)	(2,784,973)	(98,801,554)
Reinsurers' share of gross claims paid	53,544,964	--	425,796	2,612,974	1,166,331	1,730,983	59,481,048
Change in outstanding claims, net	(1,244,288)	3,322,290	1,625,584	(332,996)	59,498	(1,664,276)	1,765,812
Net claims incurred	(1,647,784)	(31,681,360)	1,371,387	(1,949,980)	(928,691)	(2,718,266)	(37,554,694)
Policy acquisition costs	(1,527,460)	(1,742,688)	(510,303)	(207,141)	(450,996)	(206,976)	(4,645,564)
Reinsurance commission income	4,190,400	--	998,898	34,551	951,120	746,604	6,921,573
	2,832,524	(2,475,999)	2,050,719	(1,023,010)	2,493,083	1,785,385	5,662,702
Other underwriting expenses							(372,723)
Net underwriting surplus							5,289,979
General and administrative Expenses							(15,249,864)
Investment income							140,419
Other income, net							18,689
Insurance operations' deficit							(9,800,777)

12 SEGMENTAL INFORMATION (continued)

	For the three month period ended 30 June 2013 (Unaudited)						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	5,595,944	33,042,612	4,256,957	13,200,868	7,607,923	4,752,953	68,457,257
Reinsurance premiums ceded	(5,082,049)	--	(3,372,066)	(7,261,927)	(4,147,758)	(2,913,901)	(22,777,701)
Excess of loss premiums	(325,251)	(898,912)	(527,145)	(116,254)	(607,194)	(170,529)	(2,645,285)
Net premiums written	188,644	32,143,700	357,746	5,822,687	2,852,971	1,668,523	43,034,271
Change in unearned premiums, net	997,991	(5,861,942)	89,999	(3,499,964)	870,492	1,547,424	(5,856,000)
Net premiums earned	1,186,635	26,281,758	447,745	2,322,723	3,723,463	3,215,947	37,178,271
Gross claims paid	(1,874,981)	(28,646,714)	(741,992)	(2,189,978)	(1,644,574)	(2,693,974)	(37,792,213)
Reinsurers' share of gross claims paid	1,684,483	1,237,988	478,795	576,994	292,006	1,691,983	5,962,249
Change in outstanding claims, net	(4,577,854)	3,086,969	479,796	(937,990)	(1,652,384)	1,781,610	(1,819,853)
Net claims incurred	(4,768,352)	(24,321,757)	216,599	(2,550,974)	(3,004,952)	779,619	(33,649,817)
Policy acquisition costs	(1,033,890)	(1,330,759)	(635,435)	(228,481)	(674,993)	(202,955)	(4,106,513)
Reinsurance commission income	2,585,458	--	1,188,872	--	1,670,317	564,800	6,009,447
	(1,943,150)	1,308,235	1,284,780	(567,731)	1,918,833	3,430,421	5,431,388
Other underwriting expenses	--	--	--	--	--	--	(476,381)
Net underwriting surplus							4,955,007
Operating and administrative salaries							(9,643,889)
Other general and administration expenses							(3,604,544)
Investment income							123,348
Other income, net							1,434
Insurance operations' deficit							(8,168,644)

12 SEGMENTAL INFORMATION (continued)

	For the six month period ended 30 June 2014 (Unaudited)						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	33,200,668	70,014,143	14,540,855	3,100,969	13,519,865	14,661,804	149,038,304
Reinsurance premiums ceded	(28,531,363)	--	(12,970,070)	(1,732,983)	(6,455,961)	(6,938,893)	(56,629,270)
Excess of loss premiums	(2,079,188)	(1,255,475)	(880,221)	(114,559)	(1,150,149)	(492,489)	(5,972,081)
Net written premiums	2,590,117	68,758,668	690,564	1,253,427	5,913,755	7,230,422	86,436,953
Change in unearned premiums, net	(534,996)	(8,041,920)	(329,597)	1,814,983	407,296	9,734	(6,674,500)
Net premiums earned	2,055,121	60,716,748	360,967	3,068,410	6,321,051	7,240,156	79,762,453
Gross claims paid	(76,589,234)	(67,424,326)	(1,389,986)	(8,418,916)	(974,562)	(6,657,934)	(161,454,958)
Reinsurers' share of gross claims paid	75,270,447	--	1,045,290	4,893,951	(381,823)	5,117,173	85,945,038
Change in outstanding claims, net	(154,598)	(105,616)	1,485,985	(2,145,978)	(1,603,585)	(3,040,384)	(5,564,176)
Net claims incurred	(1,473,385)	(67,529,942)	1,141,289	(5,670,943)	(2,959,970)	(4,581,145)	(81,074,096)
Policy acquisition costs	(2,600,117)	(3,166,954)	(1,024,799)	(418,104)	(1,118,989)	(375,167)	(8,704,130)
Reinsurance commission income	7,916,873	--	1,961,731	34,551	2,168,687	1,036,326	13,118,168
	5,898,492	(9,980,148)	2,439,188	(2,986,086)	4,410,779	3,320,170	3,102,395
Other underwriting expenses							(729,591)
Net underwriting surplus							2,372,804
General and administrative Expenses							(29,118,651)
Investment income							303,032
Other income, net							31,790
Insurance operations' deficit							(26,411,025)

12 SEGMENTAL INFORMATION (continued)

	For the six month period ended 30 June 2013 (Unaudited)						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Gross written premiums	29,203,708	62,090,169	11,480,885	15,010,850	17,257,827	14,635,853	149,679,292
Reinsurance premiums ceded	(26,159,838)	--	(9,391,806)	(7,486,925)	(9,467,005)	(8,093,062)	(60,598,636)
Excess of loss premiums	(1,156,743)	(1,839,963)	(931,181)	(196,578)	(1,109,574)	(438,296)	(5,672,335)
Net premiums written	1,887,127	60,250,206	1,157,898	7,327,347	6,681,248	6,104,495	83,408,321
Change in unearned premiums, net	262,998	(9,071,909)	(288,998)	(2,986,970)	725,576	115,303	(11,244,000)
Net premiums earned	2,150,125	51,178,297	868,900	4,340,377	7,406,824	6,219,798	72,164,321
Gross claims paid	(2,577,974)	(53,249,468)	(854,991)	(5,032,950)	(9,524,153)	(3,990,960)	(75,230,496)
Reinsurers' share of gross claims paid	2,295,077	1,520,985	555,994	1,500,985	6,390,594	2,645,974	14,909,609
Change in outstanding claims, net	(4,022,759)	5,854,942	142,798	(164,997)	(463,596)	3,038,684	4,385,072
Net claims incurred	(4,305,656)	(45,873,541)	(156,199)	(3,696,962)	(3,597,155)	1,693,698	(55,935,815)
Policy acquisition costs	(2,041,373)	(2,417,560)	(1,203,959)	(399,768)	(1,144,988)	(351,137)	(7,558,785)
Reinsurance commission income	5,733,321	--	2,246,734	--	3,158,281	981,751	12,120,087
	1,623,416	3,566,189	1,822,475	132,648	6,027,960	7,617,120	20,789,808
Other underwriting expenses	--	--	--	--	--	--	(621,364)
Net underwriting surplus							20,168,444
Operating and administrative Salaries							(18,445,727)
Other general and administration Expenses							(7,526,460)
Investment income							253,824
Other income, net							1,204
Insurance operations' deficit							(5,548,715)

12 SEGMENTAL INFORMATION (continued)

	As at 30 June 2014 (unaudited)						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned Premiums	27,961,720	--	13,675,863	2,697,973	3,448,266	4,748,495	52,532,317
Reinsurers' share of outstanding claims	437,118,429	216,303	9,714,403	2,714,973	7,363,726	9,464,104	466,591,938
Deferred policy acquisition Costs	1,842,113	3,243,992	1,656,254	106,005	792,992	224,722	7,866,078
Unallocated assets							267,802,868
							794,793,201
Insurance operations' liabilities							
Unearned reinsurance commission Income	4,218,273	--	3,295,150	--	782,992	967,585	9,264,000
Gross unearned premiums	30,745,693	60,227,398	15,174,848	4,864,951	7,133,929	10,686,181	128,833,000
Gross outstanding claims	446,000,540	40,657,485	14,928,851	5,759,942	14,549,855	17,395,826	539,292,499
Unallocated liabilities							117,403,702
							794,793,201

	As at 31 December 2013						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned Premiums	45,818,542	--	8,385,516	4,762,952	4,171,958	5,982,832	69,121,800
Reinsurers' share of outstanding claims	562,154,778	2,000	10,076,399	3,416,966	10,935,295	9,781,492	596,366,930
Deferred policy acquisition Costs	1,304,261	2,542,985	820,072	452,110	667,993	240,387	6,027,808
Unallocated assets							259,909,715
							931,426,253
Insurance operations' liabilities							
Unearned reinsurance commission Income	5,650,025	--	1,526,638	--	1,217,988	485,549	8,880,200
Gross unearned premiums	48,067,519	52,185,478	9,554,904	8,744,913	8,264,917	11,930,252	138,747,983
Gross outstanding claims	570,882,291	40,337,566	16,776,832	4,315,957	16,517,839	14,672,830	663,503,315
Unallocated liabilities							120,294,755
							931,426,253

13 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 15 July 2014, corresponding to 17 Ramadan 1435H.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

Financial Statements AND INDEPENDENT AUDITORS' REPORT

For the Year ended 31 December 2013

KPMG Al Fozan & Al Sadhan

Al Bassam

Certified Public Accountants & Consultants

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 (A Saudi Joint Stock Company) (the "Company") as at 31 December 2013 and the related statements of comprehensive income of insurance and shareholders' operations, statement of changes in shareholders' equity, statement of cash flows of insurance and shareholders' operations for the year then ended and the notes from 1 to 28 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with 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 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and

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

EMPHASIS OF 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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18 Rabi Al Thani 1435H
(18 February 2014)

KPMG Al Fozan & Al Sadhan 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 2013

	Notes	2013 SR	2012 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	40,462,274	57,783,343
Term deposit	7	83,914,450	--
Investments	8(a)	1,923,079	1,923,079
Premiums and insurance balances receivable	10	77,173,180	73,056,437
Due from related parties		1,256,938	34,814,181
Due from shareholders' operations		49,320,644	27,656,454
Reinsurers' share of unearned premiums	11(a)	69,121,800	38,856,217
Reinsurers' share of outstanding claims	11(d)	596,366,930	84,476,906
Deferred policy acquisition costs	11(b)	6,027,808	4,689,699
Prepayments and other assets	12	5,003,694	5,147,146
Property and equipment, net	14	855,456	1,139,897
TOTAL INSURANCE OPERATIONS' ASSETS		931,426,253	329,543,359
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	9,958,892	30,878,826
Term deposits	7	115,627,202	90,742,725
Investments	8(b)	27,404,625	27,185,887
Other assets	12	424,835	430,127
Due from insurance operations-current account		--	4,433,778
Statutory deposit	13	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		173,415,554	173,671,343
TOTAL ASSETS		1,104,841,807	503,214,702

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2013

	Notes	2013 SR	2012 SR
INSURANCE OPERATIONS' LIABILITIES			
Gross outstanding claims	11(d)	663,503,315	134,635,266
Accounts payable		3,769,281	8,249,679
Reinsurance balances payable		75,912,509	35,851,618
Due to shareholders' operations-current account		--	4,433,778
Due to related parties		3,153,965	5,435,811
Accrued expenses and other liabilities	15	27,775,624	20,279,877
Surplus distribution payable		488,001	488,001
Unearned reinsurance commission	11(c)	8,880,200	7,839,134
Gross unearned premiums	11(a)	138,747,983	103,792,000
End of service benefits		9,195,375	8,538,195
TOTAL INSURANCE OPERATIONS' LIABILITIES		931,426,253	329,543,359
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Due to insurance operations		49,320,644	27,656,454
Due to a related party		1,058,354	1,057,010
Accrued expenses and other liabilities	15	9,929,652	7,541,193
TOTAL SHAREHOLDERS' LIABILITIES		60,308,650	36,254,657
SHAREHOLDERS' EQUITY			
Share capital	18	200,000,000	200,000,000
Unrealised gain on available for sale investments		208,689	410,936
Accumulated losses		(87,101,785)	(62,994,250)
TOTAL SHAREHOLDERS' EQUITY		113,106,904	137,416,686
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		173,415,554	173,671,343
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,104,841,807	503,214,702

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

STATEMENT OF COMPREHENSIVE INCOME – INSURANCE OPERATIONS

For the year ended 31 December 2013

	Notes	2013 SR	2012 SR
Gross written premiums	11(a)	330,882,339	248,069,711
Less: Reinsurance premium ceded	11(a)	(159,360,819)	(104,619,850)
Excess of loss premiums		(11,797,289)	(12,123,148)
NET WRITTEN PREMIUMS		159,724,231	131,326,713
Changes in unearned premiums, net	11(a)	(4,690,400)	(11,109,785)
NET PREMIUMS EARNED		155,033,831	120,216,928
Gross claims paid	11(d)	(317,748,657)	(115,096,181)
Reinsurers' share of gross claims paid		199,766,026	34,853,071
Changes in outstanding claims, net	11(d)	(16,978,025)	10,644,431
NET CLAIMS INCURRED		(134,960,656)	(69,598,679)
Policy acquisition costs	11(b)	(15,042,796)	(13,211,345)
Reinsurance commission income	11(c)	28,172,849	21,468,122
Other underwriting expenses		(1,521,154)	(1,180,667)
NET UNDERWRITING SURPLUS		31,682,074	57,694,359
General and administrative expenses	21	(53,981,819)	(53,220,093)
Investment income		501,046	347,558
Other income		134,509	58,185
INSURANCE OPERATIONS' (DEFICIT) / SURPLUS		(21,664,190)	4,880,009
Shareholders' appropriation from insurance operations' deficit / (surplus)	3(a)	21,664,190	(4,392,008)
NET SURPLUS FOR THE YEAR		--	488,001

The accompanying notes 1 to 28 form an integral part of these financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

STATEMENT OF COMPREHENSIVE INCOME – SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2013

	Notes	2013 SR	2012 SR
INCOME			
Shareholders' appropriation from insurance operations' (deficit) / surplus	3(a)	(21,664,190)	4,392,008
Investment income		1,566,453	1,290,860
		(20,097,737)	5,682,868
General and administrative expenses		(1,817,189)	(1,920,037)
NET (LOSS) / INCOME FOR THE YEAR		(21,914,926)	3,762,831
OTHER COMPREHENSIVE INCOME			
Change in fair value of available for sale investments		(202,247)	410,936
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(22,117,173)	4,173,767
BASIC AND DILUTED (LOSS) / EARNING PER SHARE FOR THE YEAR	19	(1.10)	0.19

The accompanying notes 1 to 28 form an integral part of these financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2013 and 2012

	Share Capital	Unrealized gain on available for sale investments	Accumulated losses	Total
	SR	SR	SR	SR
Balance at 1 January 2012	200,000,000	--	(63,684,438)	136,315,562
Net income for the year	--	--	3,762,831	3,762,831
Other comprehensive income:				
Net change in fair value of available for sale investments	--	410,936	--	410,936
Total comprehensive income / (loss)	--	410,936	(59,921,607)	140,489,329
Zakat and income tax	--	--	(3,072,643)	(3,072,643)
Balance as at 31 December 2012	200,000,000	410,936	(62,994,250)	137,416,686
Balance at 1 January 2013	200,000,000	410,936	(62,994,250)	137,416,686
Net loss for the year	--	--	(21,914,926)	(21,914,926)
Other comprehensive income:				
Change in fair value of available for sale investments	--	(202,247)	--	(202,247)
Total comprehensive loss	--	(202,247)	(84,909,176)	115,299,513
Zakat	--	--	(2,192,609)	(2,192,609)
Balance as at 31 December 2013	200,000,000	208,689	(87,101,785)	113,106,904

The accompanying notes 1 to 28 form an integral part of these financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

STATEMENT OF CASHFLOWS – INSURANCE OPERATIONS

For the year ended 31 December

	Note	2013 SR	2012 SR
OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		--	488,001
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:			
Depreciation		604,878	701,006
Employees' end of service benefits		1,526,484	2,276,432
Provision for doubtful debt		(1,570,737)	--
Gain on sale of property and equipment		(12,392)	--
Operating cash inflows before changes in operating assets and liabilities		548,233	3,465,439
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(2,546,006)	18,306,819
Due from related parties		33,557,243	(3,873,504)
Due from shareholders' operations		(21,664,190)	4,392,008
Reinsurers' share of outstanding claims		(511,890,024)	5,896,722
Prepayments and other assets		143,452	(2,828,637)
Reinsurers' share of unearned premiums		(30,265,583)	(2,430,328)
Deferred policy acquisition costs		(1,338,109)	1,308,010
Gross outstanding claims		528,868,049	(16,541,153)
Accounts payable		(11,572,999)	4,307,123
Reinsurance balances payable		47,153,492	(3,080,219)
Due to shareholders' operations-current account		(4,433,778)	(6,953,049)
Due to related parties		(2,281,846)	--
Accrued expenses and other liabilities		7,495,747	(3,622,953)
Unearned reinsurance commission income		1,041,066	3,294,991
Gross unearned premiums		34,955,983	13,540,113
Cash from operations		67,770,730	15,181,382
Employees' end of service benefits paid		(869,304)	(551,304)
Net cash from operating activities		66,901,426	14,630,078
INVESTING ACTIVITY			
Purchase of property and equipment		(368,045)	(853,934)
Sale proceed on disposal of property and equipment		60,000	--
Term deposit		(83,914,450)	--
Net cash used in investing activities		(84,222,495)	(853,934)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(17,321,069)	13,776,144
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		57,783,343	44,007,199
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	40,462,274	57,783,343

The accompanying notes 1 to 28 form an integral part of these financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

STATEMENT OF CASH FLOWS – SHAREHOLDERS' OPERATIONS

For the year ended 31 December

	Note	2013 SR	2012 SR
OPERATING ACTIVITIES			
Net (loss) / income for the year		(21,914,926)	3,762,831
Operating cash outflows before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Other assets		5,292	(33,328)
Due from insurance operations-current account		4,433,778	6,953,049
Due to a related party		1,344	378,327
Due to insurance operations		21,664,190	(4,392,008)
Accrued expenses and other liabilities		670,612	(136,173)
		4,860,290	6,532,698
Zakat and tax paid		(474,762)	(469,483)
Net cash from operating activities		4,385,528	6,063,215
INVESTING ACTIVITIES			
Term deposits		(24,884,477)	27,462,292
Investments		(420,985)	(27,102,352)
Net cash (used in) / from investing activities		(25,305,462)	359,940
NET(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(20,919,934)	6,423,155
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		30,878,826	24,455,671
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	9,958,892	30,878,826
Non-cash transactions:			
Net change in fair value of available for sale investments		202,247	410,936

The accompanying notes 1 to 28 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 number 4030194978.

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 Al Abdul Latief Building, Prince Mohammed bin Abdul Aziz street, P.O. Box: 6393, Riyadh 11442, Kingdom of Saudi Arabia.

2 ASSET PURCHASE AGREEMENT AND TRANSFER OF INSURANCE PORTFOLIO

The Company started its insurance operations on 13 February 2010. The Company’s Board of Directors approved on 14 April 2010, to transfer the insurance portfolio and net assets of Royal & Sun Alliance Insurance (Middle East) Limited E.C. – Saudi Arabia Operations and Al Alamiya for Commerce and Services Limited, to the Company after completing the related procedures as required under the SAMA’s letter addressed to the Company on 24 March 2010. The transfer of the insurance portfolio and net assets was approved by the shareholders at their General Assembly Meeting held on 17 April 2012.

The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA’s letter of 10 November 2008 (“the letter”), the value of combined goodwill was estimated at SR 64.14 million which, based on the current performance and accumulated losses, management believes will not be paid.

3 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, using the accrual basis of accounting and going concern concept.

c) Functional and presentational currency

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

3 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 losses on premium and insurance balance receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be 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 consider 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.

4 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:

IFRS 13 Fair Value Measurement

IFRS 13 describes how to measure fair value when fair value is required or permitted by IFRS. New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss. Adoption of this standard did not impact the Company's financial position or performance.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments have not impacted the Company's financial position or performance.

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

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available for sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment had no impact on the Company's financial position or performance.

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.

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. 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 and move the effective date to 1 January 2017. In subsequent phases, the Board will address impairment and hedge accounting. The Company will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

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

The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The amendment is effective for annual periods beginning on or after 1 January 2014.

5 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

For the purpose of the statements of cash flows for both insurance and shareholders' operations, 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.

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.

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.

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 profit or loss. 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 on 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 'investment valuation reserve'. 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 permanent 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 commission-bearing items is estimated based on discounted cash flows using commission 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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Claims

Claims consist of amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to the statement of comprehensive income - insurance operations in the period in which they are incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the statement of income - insurance operations for that year. 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 receivable. 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.

5 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.

l) Zakat and income tax

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis at the year end and is charged to statement of changes in shareholders' equity. The zakat charge is computed on the Saudi shareholder's share of the zakat base. Income tax is computed on the foreign shareholder's share of adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

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.

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 so foreign exchange gains and losses are not significant and have not been disclosed separately.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) 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 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.

p) De-recognition of financial instruments

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

q) 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).

r) 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) 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.

t) 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.

u) 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.

6 CASH AND CASH EQUIVALENTS

	2013		2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Cash in hand	25,293	--	42,500	--
Cash at banks - Current accounts	40,436,981	9,958,892	12,460,700	30,878,826
Term deposit	--	--	45,280,143	--
	40,462,274	9,958,892	57,783,343	30,878,826

In 2012, there was SR 26.48 million included in term deposit associated with the portfolio transfer process and held in the name of a related party on behalf of the Company. This amount was transferred to the Company in 2013.

7 TIME DEPOSITS

Time deposits are placed with counterparties that have credit ratings equivalent to 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 earned special commission income at an average rate of 0.8% per annum (2012: 0.8% per annum).

The carrying amounts of the time deposits reasonably approximate the fair value at the statement of financial position date.

8 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. Management is of the opinion that the fair market value of this investment is not materially different from its carrying value.

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

	2013		2012	
	Amortised cost SR	Market value SR	Amortised cost SR	Market value SR
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,820,508	3,845,250	3,957,442	4,003,125
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,453,942	4,434,375	3,846,540	3,851,700
Sukuks				
Saudi Electricity Company	18,921,483	19,125,000	18,970,969	19,331,062
	27,195,933	27,404,625	26,774,951	27,185,887

The investment income ranges between 2.1% to 2.8% in case of bonds and 2.4% in case of sukuks.

9 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.

	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
2013				
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	3,845,250	--	--	3,845,250
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	4,434,375	--	--	4,434,375
Saudi Electricity Company (Sukuks)	19,125,000	--	--	19,125,000
	27,404,625	--	--	27,404,625
2012				
Tourism Development Investment Company (TDIC) (100% owned by Abu Dhabi Government)	4,003,125	--	--	4,003,125
Abu Dhabi National Energy Company (TAQA) (51% owned by Abu Dhabi Government)	3,851,700	--	--	3,851,700
Saudi Electricity Company (Sukuks)	19,331,062	--	--	19,331,062
	27,185,887	--	--	27,185,887

The unlisted securities amounting to SR 1,923,079 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 2013, 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 SR 202,247 (2012: SR 410,936) has been recorded in the statement of comprehensive income – shareholders' operations.

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE, NET

	2013 SR	2012 SR
Premiums receivable	48,967,996	54,858,452
Receivables from insurance and reinsurance companies	20,501,445	6,337,343
Receivables from related parties	20,228,919	27,576,263
	89,698,360	88,772,058
Less: Allowance for doubtful debts	(12,525,180)	(15,715,621)
	77,173,180	73,056,437

Allowance for doubtful debts includes SR 2.6 million (31 December 31 2012: SR 3.8 million) against receivables from related parties. Movement in the allowance for doubtful debt was as follows:

	2013	2012
	SR	SR
Balance at 1 January	15,715,621	20,285,948
Reversal for the year	(1,570,737)	(4,570,327)
Write off against the provision	(1,619,704)	--
Balance at 31 December	12,525,180	15,715,621

As at 31 December 2013 and 2012, the ageing of premiums and insurance balances receivable is as follows:

	Total	Neither past due nor impaired	Past due but not impaired			Past due and impaired
			Less than 30 day	31 to 60 days	61 to 90 days	
	SR	SR	SR	SR	SR	SR
2013	89,698,360	54,984,963	3,385,472	440,330	1,059,261	29,828,334
2012	88,772,058	41,950,380	--	--	202,451	46,619,227

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 2013 accounts for more than 16% (31 December 2012: 19%) of the premiums receivable. In addition, the five largest customers accounts for 39% (31 December 2012: 40%) of the premiums receivable as at 31 December 2013.

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.

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

a) Unearned premium

	2013			2012		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Balance at 1 January	103,792,000	(38,856,217)	64,935,783	90,251,887	(36,425,889)	53,825,998
Premiums written during the year	330,882,339	(159,360,819)	171,521,520	248,069,711	(104,619,850)	143,449,861
Premiums earned during the year	(295,926,356)	129,095,236	(166,831,120)	(234,529,598)	102,189,522	(132,340,076)
Balance at 31 December	138,747,983	(69,121,800)	69,626,183	103,792,000	(38,856,217)	64,935,783

b) Deferred policy acquisition costs

	2013	2012
	SR	SR
Balance at 1 January	4,689,699	5,997,709
Incurred during the year	16,380,905	11,903,335
Amortised during the year	(15,042,796)	(13,211,345)
Balance at 31 December	6,027,808	4,689,699

c) Unearned reinsurance commission

	2013	2012
	SR	SR
Balance at 1 January	7,839,134	4,544,143
Commission received during the year	29,213,915	24,763,113
Commission earned during the year	(28,172,849)	(21,468,122)
Balance at 31 December	8,880,200	7,839,134

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

d) Outstanding claims

	2013			2012		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Balance at 31 December						
Outstanding claims	(617,759,315)	576,502,931	(41,256,384)	(99,532,472)	66,721,877	(32,810,595)
IBNR	(43,416,000)	19,863,999	(23,552,001)	(35,102,794)	17,755,029	(17,347,765)
	–	–	–	–	–	–
	(661,175,315)	596,366,930	(64,808,385)	(134,635,266)	84,476,906	(50,158,360)
Premium deficiency and other reserves	(2,328,000)	--	(2,328,000)	--	--	--
	–	–	–	–	–	–
	(663,503,315)	596,366,930	(67,136,385)	(134,635,266)	84,476,906	(50,158,360)
	–	–	–			
Claims paid during the year	(317,748,657)	199,766,026	(117,982,631)	(115,096,181)	34,853,071	(80,243,110)
	–	–	–			
Balance at 1 January						
Outstanding claims	99,532,472	(66,721,877)	32,810,595	119,266,419	(74,200,628)	45,065,791
IBNR	35,102,794	(17,755,029)	17,347,765	31,910,000	(16,173,000)	15,737,000
	–	–	–	–	–	–
	134,635,266	(84,476,906)	50,158,360	151,176,419	(90,373,628)	60,802,791
	–	–	–			
Claims incurred	(846,616,706)	711,656,050	(134,960,656)	(98,555,028)	28,956,349	(69,598,679)

12 PREPAYMENTS AND OTHER ASSETS

	2013		2012	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Prepaid rent	249,310	--	293,223	--
Employees' housing advances	899,174	--	917,513	--
Employees' prepaid insurance	689,721	--	402,579	--
Other assets	3,165,489	424,835	3,533,831	430,127
	5,003,694	424,835	5,147,146	430,127

13 STATUTORY DEPOSIT

Statutory deposit amounting to SR 20,000,000 (2012: SR 20,000,000) represents 10% of the paid up capital of the company which is maintained with a bank designated by SAMA in accordance with The Cooperative Insurance Companies Control Law for Insurance Companies. This statutory deposit cannot be withdrawn without the consent of SAMA.

14 PROPERTY AND EQUIPMENT, NET

	Furniture and fixtures	Office equipment	Motor vehicles	Total 2013	Total 2012
	SR	SR	SR	SR	
Cost:					
Balance at 1 January	3,042,311	5,126,001	384,450	8,552,762	7,698,828
Additions	281,313	86,732	--	368,045	853,934
Disposal	(114,728)	--	--	(114,728)	--
Balance at 31 December	3,208,896	5,212,733	384,450	8,806,079	8,552,762
Accumulated depreciation:					
Balance at 1 January	(2,775,921)	(4,268,223)	(368,721)	(7,412,865)	(6,711,859)
Charge for the year (note 20)	(130,042)	(459,149)	(15,687)	(604,878)	(701,006)
Elimination on disposal	67,120	--	--	67,120	--
Balance at 31 December	(2,838,083)	(4,727,372)	(384,408)	(7,950,630)	(7,412,865)
Net book value:					
At 31 December 2013	370,053	485,361	42	855,456	
At 31 December 2012	1,124,168	1,124,168	15,729		1,139,897

15 ACCRUED EXPENSES AND OTHER LIABILITIES

	Insurance operations 2013	Shareholders' operations 2013	Insurance operations 2012	Shareholders' operations 2012
	SR	SR	SR	SR
Accrued salaries and benefits	2,675,000	--	3,348,540	--
Accrued supervision fees	584,475	--	431,415	--
Board of Directors' remuneration	800,000	--	--	488,000
Provision for zakat and income tax (note 17c)	--	7,895,065	--	6,177,218
Withholding tax payable	6,301,132	--	4,033,317	--
Accrued IT related services	2,396,794	--	2,500,000	--
Accrued legal and professional fees	950,000	--	700,000	--
Outsourced service charges payable (note 24)	12,900,000	--	6,900,000	--
Other accrued expenses	1,168,223	2,034,587	2,366,605	875,975
	27,775,624	9,929,652	20,279,877	7,541,193

16 CLAIMS DEVELOPMENT TABLE

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

The Company 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 is by accident years spanning a number of financial years.

Accident Year	2010 & earlier	2011	2012	2013	TOTAL
Estimate of ultimate claim cost:					
At the end of accident year	132,176,627	117,988,458	66,834,065	885,124,662	1,202,123,812
One year later	147,470,332	102,030,190	57,630,088	--	307,130,610
Two years later	138,786,701	69,116,007	--	--	207,902,708
Three years later	133,076,012	--	--	--	133,076,012
Current estimate of cumulative claims	133,076,012	69,116,007	57,630,088	885,124,662	1,144,946,769
Cumulative paid claims	127,465,175	60,071,673	41,384,382	252,522,224	481,443,454
Liability recognised in statement of financial position	5,610,837	9,044,334	16,245,706	632,602,438	663,503,315

17 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 2.19 million (2012: SR 3.02 million).

The zakat provision is based on the following:

	2013 SR	2012 SR
Share capital	200,000,000	200,000,000
Reserves and provision	(38,740,435)	(36,585,422)
Book value of long term assets	(2,766,662)	(3,629,275)
Adjusted net (loss) / profit for the year	(24,460,059)	1,386,766
Zakat base	134,032,844	161,172,069
Saudi shareholders' share of zakat base	100,477,722	120,822,642

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

Income tax relating to the foreign shareholders is nil (2012: SR 0.05 million).

c) 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:

	2013 SR	2012 SR
At the beginning of the year	6,177,218	3,574,058
Provided during the year	2,192,609	3,072,643
Payments during the year	(474,762)	(469,483)
At the end of the year	7,895,065	6,177,218

d) Status of zakat and tax assessments

The Company has submitted its zakat and income tax returns up to the year ended 31 December 2012, obtained the required certificates and official receipts but the final assessments have not been raised.

e) Status of appeal

The Company has filed an appeal against the DZIT's initial assessment for the period / year ended 31 December 2010, 2011 and 2012 which are pending as at 31 December 2013.

18 SHARE CAPITAL

The authorised, issued and paid up share capital of the Company is SR 200 million divided into 20 million shares with a nominal value SR 10 each. The founding shareholders of the Company have subscribed and paid for 14 million shares which represents 70% of the shares of the Company's capital and the remaining 6 million shares have been subscribed by the public.

19 BASIC AND DILUTED EARNING (LOSS) PER SHARE FOR THE YEAR

Basic and diluted earnings / (loss) per share for the year has been calculated by dividing the net income / (loss) for the year by 20 million outstanding shares at the reporting date.

20 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.

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2013		2012	
	Insurance operations	Shareholders› operations	Insurance operations	Shareholders› operations
	SR	SR	SR	SR
Salaries and benefits	35,932,262	325,000	34,576,330	350,000
End of service benefits	1,526,484	--	2,276,432	--
Remuneration of the Board of Directors (note 24)	--	465,000	--	488,000
Outsourced service charges (note 24)	6,000,000	--	6,900,000	--
Rent	1,559,880	--	1,745,431	--
(Reversal)/provision for doubtful debts	(1,570,737)	--	(4,570,327)	--
Depreciation	604,878	--	701,068	--
Legal and professional fees	1,843,144	--	723,926	639,493
Business travel and transport	2,024,755	--	3,967,410	--
IT related services	3,080,791	--	4,008,958	--
Utilities	1,036,853	--	1,348,583	--
Stationery	424,724	--	401,682	--
Repair and maintenance	726,444	--	413,417	--
Promotion and advertising	128,925	--	108,899	--
Others	663,416	1,027,189	618,284	442,544
	53,981,819	1,817,189	53,220,093	1,920,037

22 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.

23 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.

24 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. The following are the details of major related party transactions for insurance and shareholders' operations during the period and the balances at the end of the period / year:

		Transactions for the year ended		Balance as at	
Related party	Nature of transaction	31 December 2013 SR	31 December 2012 SR	31 December 2013 SR	31 December 2012 SR
Shareholders / Companies under common management	Gross written Premiums	113,197,103	93,582,190	20,228,919	27,576,263
	Gross claims paid	79,821,348	62,271,678	--	--
	Reinsurance premiums ceded	53,091,341	44,330,161	--	--
	Reinsurers' share of gross claims paid	51,047,521	9,219,084	--	--
	Reinsurance commission income	14,261,850	12,856,578	--	--
	Outsourced service charges	6,000,000	6,900,000	(12,900,000)	(6,900,000)
	Brand fee	30,100	30,100	(112,875)	(90,300)
	Reinsurers' share of gross outstanding Claims	--	--	161,896,613	24,272,489
	Gross outstanding claims	--	--	25,958,244	(55,339,134)
Board of Directors	Remuneration and meeting fee	465,000	488,000	(495,500)	(488,000)

Key management personnel's remuneration

The remuneration of key management personnel during the period is as follows:

	2013 SR	2012 SR
Short term benefits	5,869,296	6,189,071
End of service benefits	149,020	152,692

25 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 2013						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	100,431,996	118,542,815	19,154,808	20,807,792	39,031,610	32,913,318	330,882,339
Reinsurance premiums ceded	(94,017,550)	--	(15,768,842)	(10,952,290)	(22,534,375)	(16,087,762)	(159,360,819)
Excess of loss premiums	(3,280,497)	(3,019,900)	(2,050,179)	(365,498)	(2,268,612)	(812,603)	(11,797,289)
Net written premiums	3,133,949	115,522,915	1,335,787	9,490,004	14,228,623	16,012,953	159,724,231
Change in unearned premiums, net	156,999	(5,142,948)	375,596	284,996	92,782	(457,825)	(4,690,400)
Net premiums earned	3,290,948	110,379,967	1,711,383	9,775,000	14,321,405	15,555,128	155,033,831
Gross claims paid	(177,138,229)	(96,572,034)	(2,416,976)	(12,528,875)	(18,928,811)	(10,163,732)	(317,748,657)
Reinsurers' share of gross claims paid	174,318,557	--	1,571,184	4,986,950	12,053,379	6,835,956	199,766,026
Change in outstanding claims, net	(4,654,353)	(16,276,806)	622,793	1,068,990	745,092	1,516,259	(16,978,025)
Net claims incurred	(7,474,025)	(112,848,840)	(222,999)	(6,472,935)	(6,130,340)	(1,811,517)	(134,960,656)
Policy acquisition costs	(3,432,878)	(4,960,391)	(2,600,058)	(1,001,578)	(2,343,977)	(703,914)	(15,042,796)
Reinsurance commission income	14,533,546	--	4,860,318	--	7,231,215	1,547,770	28,172,849
	6,917,591	(7,429,264)	3,748,644	2,300,487	13,078,303	14,587,467	33,203,228
Other underwriting expenses	--	--	--	--	--	--	(1,521,154)
Net underwriting result							31,682,074
General and administrative Expenses							(53,981,819)
Investment income							501,046
Other income, net							134,509
Insurance operations' deficit							(21,664,190)

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI joint stock company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2013

25SEGMENTAL INFORMATION (continued)

	For the year ended 31 December 2012						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	52,372,476	95,454,235	22,203,778	10,295,897	35,282,647	32,460,678	248,069,711
Reinsurance premiums ceded	(46,307,601)	--	(18,177,318)	(2,391,976)	(21,863,681)	(15,879,274)	(104,619,850)
Excess of loss premiums	(2,424,306)	(4,351,521)	(2,447,123)	(350,236)	(1,823,287)	(726,675)	(12,123,148)
Net written premiums	3,640,569	91,102,714	1,579,337	7,553,685	11,595,679	15,854,729	131,326,713
Change in unearned premiums, net	(1,304,770)	(10,040,900)	802,548	652,994	309,444	(1,529,101)	(11,109,785)
Net premiums earned	2,335,799	81,061,814	2,381,885	8,206,679	11,905,123	14,325,628	120,216,928
Gross claims paid	(11,468,885)	(70,474,283)	(5,120,949)	(9,800,902)	(11,688,883)	(6,542,279)	(115,096,181)
Reinsurers' share of gross claims paid	10,880,299	3,500,000	3,629,364	4,755,952	6,769,322	5,318,134	34,853,071
Change in outstanding claims, net	(35,100)	12,715,873	4,301	(293,998)	(1,462,984)	(283,661)	10,644,431
Net claims incurred	(623,686)	(54,258,410)	(1,487,284)	(5,338,948)	(6,382,545)	(1,507,806)	(69,598,679)
Policy acquisition costs	(2,065,321)	(5,613,868)	(2,564,987)	(331,612)	(1,940,016)	(695,541)	(13,211,345)
Reinsurance commission income	7,589,258	--	4,861,448	--	7,175,218	1,842,198	21,468,122
	7,236,050	189,536, 21	3,191,062	2,536,119	10,757,780	13,964,479	58,875,026
Other underwriting expenses	--	--	--	--	--	--	(1,180,667)
Net underwriting surplus							57,694,359
General and administrative Expenses							(53,220,093)
Investment income							347,558
Other income, net							58,185
Insurance operations' surplus							4,880,009

	As at 31 December 2013						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned Premiums	45,818,542	--	8,385,516	4,762,952	4,171,958	5,982,832	69,121,800
Reinsurers' share of outstanding claims	562,154,778	2,000	10,076,399	3,416,966	10,935,295	9,781,492	596,366,930
Deferred policy acquisition Costs	1,304,261	2,542,985	820,072	452,110	667,993	240,387	6,027,808
Unallocated assets							259,909,715
							931,426,253
Insurance operations' liabilities							
Unearned reinsurance commission Income	5,650,025	--	1,526,638	--	1,217,988	485,549	8,880,200
Gross unearned premiums	48,067,519	52,185,478	9,554,904	8,744,913	8,264,917	11,930,252	138,747,983
Gross outstanding claims	570,882,291	40,337,566	16,776,832	4,315,957	16,517,839	14,672,830	663,503,315
Unallocated liabilities							120,294,755
							931,426,253

25 SEGMENTAL INFORMATION (continued)

	As at 31 December 2012						
	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	16,801,832	--	8,814,912	2,096,979	4,920,168	6,222,326	38,856,217
Reinsurers' share of outstanding claims	46,971,330	290,997	12,039,580	2,264,977	15,044,150	7,865,872	84,476,906
Deferred policy acquisition costs	1,017,176	1,731,434	891,155	334,699	469,995	245,240	4,689,699
Unallocated assets							201,520,537
							329,543,359
Insurance operations' liabilities							
Unearned reinsurance commission income	4,068,786	--	1,760,940	--	1,487,985	521,423	7,839,134
Gross unearned premiums	19,207,808	47,042,530	10,359,896	6,363,936	9,105,909	11,711,921	103,792,000
Gross outstanding claims	51,044,490	24,349,757	19,362,806	4,232,958	21,371,786	14,273,469	134,635,266
Unallocated liabilities							83,276,959
							329,543,359

26 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, commission 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.

26 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.

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.

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 0.7 million (31 December 2012: SR 0.7 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 (2012: 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 cargoes.

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 (2012: 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.

26 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 by approximately SR 13.1 million (31 December 2012: SR 6.9 million) annually in aggregate.

b) 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 596.4 million (2012: SR 84.5 million).

c) 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.

d) 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.

26 RISK MANAGEMENT (continued)

d) Credit risk (continued)

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

	2013 SR		2012 SR	
	Insurance' Operations	Shareholders' operations	Insurance' operations	Shareholders' operations
Assets				
Cash and cash equivalents	40,436,981	9,958,892	57,783,343	30,878,826
Time deposits	83,914,451	115,627,202	--	90,742,725
Investments	1,923,079	27,404,625	2,473,079	27,185,887
Premiums and insurance balances receivable	89,698,360	--	88,772,058	--
Reinsurers' share of outstanding claims	596,366,930	--	84,476,906	--
Due from related parties	1,256,938	--	29,378,370	--
Other assets	156,270	424,835	917,513	430,127
	813,753,009	153,415,554	263,801,269	149,237,565

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.

e) Liquidity risk

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.

26 RISK MANAGEMENT (continued)

f) Liquidity risk (continued)

Maturity table

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

	2013			2012		
	Less than one year SR	No term SR	Total SR	Less than one year SR	No term SR	Total SR
INSURANCE OPERATIONS› FINANCIAL LIABILITIES						
Accounts payable	3,769,281	--	3,769,281	15,342,280	--	15,342,280
Reinsurance balances payable	75,912,509	--	75,912,509	28,759,017	--	28,759,017
Accrued expenses and other liabilities	21,478,663	--	21,478,663	15,815,145	--	15,815,145
Gross outstanding claims	663,503,315	--	663,503,315	134,635,266	--	134,635,266
	764,663,768	--	764,663,768	194,551,708	--	194,551,708
SHAREHOLDERS' FINANCIAL LIABILITIES						
Accrued expenses and other liabilities	2,034,587	--	2,034,587	1,363,975	--	1,363,975
	2,034,587	--	2,034,587	1,363,975	--	1,363,975
	766,698,355	--	766,698,355	195,915,683	--	195,915,683

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.

g) 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.

h) Special commission rate risk

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

The Company is not exposed to special commission rate risk as commission rates are fixed.

26 RISK MANAGEMENT (continued)

i) 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
2013	+5%	1,370,231
	-5%	(1,370,231)
2012	+5%	1,359,294
	-5%	(1,359,294)

j) 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.

27 COMPARATIVE FIGURES

The following prior year figures have been reclassified to conform to the current year's presentation:

Reclassification from	Reclassification to	Amount in SR
Investment	Prepayments and other assets	500,000
Due from related parties	Due to related parties (Insurance operations)	5,435,811
Account payable	Reinsurance payable balance	7,092,601

28 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 18 February 2014, corresponding to 18 Rabi Al Thani 1435H.

Basic and diluted loss per share for the period has been calculated by dividing the net loss for the period by 20 million outstanding shares at the period end.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT

AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte

Al Bassam
Certified Public Accountants & Consultants

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 December 31, 2012 and the related statements of insurance operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the year then ended and the notes 1 to 32 which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION

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

1. Present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and

2. Comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

EMPHASIS OF A MATTER

These financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

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3 Rabi II, 1434H
February 13, 2013

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	Note	2012 SR	2011 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	57,783,343	44,007,199
Investments	13(a)	2,473,079	2,473,079
Premiums and insurance balances receivable	7	73,056,437	91,363,256
Reinsurers' share of unearned premiums	8	38,856,217	36,425,889
Reinsurers' share of outstanding claims	9	84,476,906	90,373,628
Deferred policy acquisition costs	10	4,689,699	5,997,709
Prepayments and other assets	11	4,597,146	1,768,509
Due from related parties		29,378,370	25,504,866
Due from shareholders' operations		27,656,454	32,048,462
Property and equipment	12	1,139,897	986,969
TOTAL INSURANCE OPERATIONS' ASSETS		324,107,548	330,949,566
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	30,878,826	24,455,671
Time deposits		90,742,725	118,205,017
Other assets	11	430,127	69,398
Available for sale investments	13(b)	27,185,887	-
Due from insurance operations-current account		4,433,778	11,386,827
Statutory deposit	14	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		173,671,343	174,116,913
TOTAL ASSETS		497,778,891	505,066,479

The accompanying notes 1 to 32 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 DECEMBER 31, 2012

	Note	2012 SR	2011 SR
INSURANCE OPERATIONS' LIABILITIES			
Accounts payable		15,342,280	11,035,157
Reinsurance balances payable		28,759,017	31,839,236
Unearned reinsurance commission income	17	7,839,134	4,544,143
Gross unearned premiums	8	103,792,000	90,251,887
Gross outstanding claims	9	134,635,266	151,176,419
Accrued expenses and other liabilities	15	20,279,877	23,902,830
Due to shareholders' operations-current account		4,433,778	11,386,827
Surplus distribution payable		488,001	-
End-of-service indemnities	16	8,538,195	6,813,067
TOTAL INSURANCE OPERATIONS' LIABILITIES		324,107,548	330,949,566
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Due to insurance operations		27,656,454	32,048,462
Due to a related party		1,057,010	678,683
Accrued expenses and other liabilities	15	7,541,193	5,074,206
TOTAL SHAREHOLDERS' LIABILITIES		36,254,657	37,801,351
SHAREHOLDERS' EQUITY			
Share capital	23	200,000,000	200,000,000
Unrealized gain on available for sale investments		410,936	-
Accumulated losses		(62,994,250)	(63,684,438)
TOTAL SHAREHOLDERS' EQUITY		137,416,686	136,315,562
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		173,671,343	174,116,913
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		497,778,891	505,066,479

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 SR	2011 SR
REVENUES			
Gross written premiums	22	248,069,711	227,930,271
Less: Reinsurance premiums ceded	22	(104,619,850)	(96,564,812)
Excess of loss premiums		(12,123,148)	(10,040,321)
NET PREMIUMS WRITTEN		131,326,713	121,325,138
Change in unearned premiums, net	8	(11,109,785)	(7,207,998)
NET PREMIUMS EARNED		120,216,928	114,117,140
Gross claims paid and other expenses	9,22	(115,096,181)	(117,218,449)
Reinsurers' share of gross claims paid	9,22	34,853,071	46,446,833
Change in outstanding claims, net	9	10,644,431	(2,255,836)
NET CLAIMS INCURRED		(69,598,679)	(73,027,452)
Policy acquisition costs	10	(13,211,345)	(16,390,471)
Reinsurance commission income	17,22	21,468,122	19,325,547
Other underwriting expenses		(1,180,667)	(1,833,389)
NET UNDERWRITING RESULT		57,694,359	42,191,375
Operating and administrative salaries	18	(36,852,762)	(31,301,927)
Other general and administrative expenses	19,22	(16,367,331)	(27,825,935)
Special commission income		347,558	96,479
Other income, net		58,185	181,668
INSURANCE OPERATIONS' SURPLUS (DEFICIT)		4,880,009	(16,658,340)
Insurance operations' (surplus) deficit transferred to shareholders' comprehensive income		(4,392,008)	16,658,340
Insurance operations' surplus after shareholders' appropriation		488,001	-

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012 SR	2011 SR
Insurance operations' surplus (deficit)		4,392,008	(16,658,340)
Investment income		1,290,860	1,083,466
		5,682,868	(15,574,874)
General and administrative expenses	20	(1,920,037)	(2,432,827)
Net income (loss) for the year		3,762,831	(18,007,701)
Other comprehensive income (expenses)			
Unrealized gain on available for sale investments		410,936	-
Zakat and income tax	21	(3,072,643)	(3,211,797)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		1,101,124	(21,219,498)
Earnings (loss) per share for the year	24	0.19	(0.90)
Weighted average number of outstanding shares		20,000,000	20,000,000

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Share capital SR	Unrealized gain on available for sale investments SR	Accumulated losses SR	Total SR
January 1, 2011	200,000,000	-	(42,464,940)	157,535,060
Net loss for the year	-	-	(18,007,701)	(18,007,701)
Zakat and income tax	-	-	(3,211,797)	(3,211,797)
December 31, 2011	200,000,000	-	(63,684,438)	136,315,562
Net income for the year	-	-	3,762,831	3,762,831
Unrealized gain for the year	-	410,936	-	410,936
Zakat and income tax	-	-	(3,072,643)	(3,072,643)
December 31, 2012	200,000,000	410,936	(62,994,250)	137,416,686

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 SR	2011 SR
OPERATING ACTIVITIES		
Insurance operations' surplus after shareholders' appropriation	488,001	-
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:		
Depreciation	701,006	846,306
End-of-service indemnities	2,276,432	2,013,942
Gain on disposal of property and equipment	-	(159,052)
	3,465,439	2,701,196
Premiums and insurance balances receivable	18,306,819	(25,534,200)
Reinsurers' share of unearned premiums	(2,430,328)	(10,068,889)
Reinsurers' share of outstanding claims	5,896,722	(51,220,000)
Deferred policy acquisition costs	1,308,010	375,911
Prepayments and other assets	(2,828,637)	(233,968)
Due from related parties	(3,873,504)	(9,040,380)
Due from shareholders' operations	4,392,008	(16,658,340)
Due from shareholders' operations-current account	-	727,156
Accounts payable	4,307,123	2,115,126
Reinsurance balances payable	(3,080,219)	22,173,614
Unearned reinsurance commission income	3,294,991	1,495,141
Gross unearned premiums	13,540,113	17,276,887
Gross outstanding claims	(16,541,153)	53,475,836
Accrued expenses and other liabilities	(3,622,953)	8,826,378
Due to shareholders' operations-current account	(6,953,049)	11,386,827
Cash generated from operations	15,181,382	7,798,295
End-of-service indemnities paid	(551,304)	(2,888,664)
Net cash from operating activities	14,630,078	4,909,631
INVESTING ACTIVITIES		
Additions to property and equipment	(853,934)	(374,162)
Proceeds from disposal of property and equipment	-	251,921
Investment	-	(50,000)
Net cash used in investing activities	(853,934)	(172,241)
Net change in cash and cash equivalents	13,776,144	4,737,390
Cash and cash equivalents, January 1	44,007,199	39,269,809
CASH AND CASH EQUIVALENTS, DECEMBER 31	57,783,343	44,007,199
Non-cash transaction:		
End-of-service indemnities	-	89,748

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

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLERS' OPERATIONS CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 SR	2011 SR
OPERATING ACTIVITIES		
Net income (loss) for the year	3,762,831	(18,007,701)
Adjustments for:		
Changes in assets and liabilities:		
Other assets	(33,328)	71,547
Due from insurance operations-current account	6,953,049	(11,386,827)
Due to a related party	378,327	678,683
Due to insurance operations	(4,392,008)	16,658,340
Due to insurance operations-current account	-	(727,156)
Accrued expenses and other liabilities	(136,173)	857,784
Cash generated from (used in) operations	6,532,698	(11,855,330)
Zakat paid	(469,483)	(2,904,164)
Net cash from (used in) operating activities	6,063,215	(14,759,494)
INVESTING ACTIVITIES		
Time deposits	27,462,292	11,802,061
Available for sale investments	(27,102,352)	-
Net cash from investing activities	359,940	11,802,061
Net change in cash and cash equivalents	6,423,155	(2,957,433)
Cash and cash equivalents, January 1	24,455,671	27,413,104
CASH AND CASH EQUIVALENTS, DECEMBER 31	30,878,826	24,455,671
Non-cash transactions:		
Unrealized gain on available for sale investments	410,936	-
Amortization of premium on available for sale investments adjusted against other receivables	327,401	-

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

1. ORGANIZATION 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 (November 17, 2009) under commercial registration number 4030194978.

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 (December 13, 2009), the Company received the license from Saudi Arabian Monetary Agency ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia.

The Company's principal place of business is in Riyadh, Kingdom of Saudi Arabia.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Standards affecting the disclosures and presentation in the current year

The revised standards adopted in the current year, which are effective for annual periods beginning on or after January 1, 2012, have no effect on the disclosures and presentations in the financial statements. Details of those standards adopted in these financial statements but that have had no effect on the amounts reported are set out in note 2.2.

2.2 Standards adopted with no effect on the financial statements

The following new and revised Standards have been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

a) Amendment to IFRS 1 – 'First-time Adoption of International Financial Reporting Standards' (effective from July 1, 2011):

- Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'.

- Additional exemption for entities ceasing to suffer from severe hyperinflation.

b) Amendment to IFRS 7 - Financial instruments: Transfers of financial assets:

This amendment is effective from July 1, 2011 and requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset, the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities.

c) Amendment to IAS 12 - 'Income taxes' on deferred tax (effective January 1, 2012):

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which has been withdrawn.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

2.3 Standards in issue but not yet adopted

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

New Standards and interpretation:		Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint Venture Arrangement	January 1, 2013
IFRS 12	Disclosure of Interest in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013
Amendments to Standards:		
IAS 1	Presentation of Financial Statements	July 1, 2012
IAS 19	Employee benefits	January 1, 2013
IAS 27	Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
IFRS 7	Financial Instruments: Disclosures - offsetting Financial Assets and Financial Liabilities - disclosures about the initial application of IFRS 9	January 1, 2013 January 1, 2015(or otherwise when IFRS 9 is first applied)
IFRS 10	Consolidated Financial Statements	January 1, 2014
IAS 32	Financial Instruments Presentation-Offsetting financial assets and financial liabilities	January 1, 2014

The Directors anticipate that, where applicable, the above Standards and Interpretations will be adopted in the Company's financial statements for the future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting convention

The financial statements are prepared under the historical cost convention except for revaluation of certain financial assets.

Basis of presentation

The Company maintains separate books of account for the insurance operations and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts.

Functional and presentational currency

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and time deposits with original maturities of three months or less at the date of acquisition.

Property and equipment

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of insurance operations on a straight-line basis based on the following estimated useful lives:

	Years
Furniture, fixtures and office equipment	3
Motor vehicles	3

Investments

All investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Premiums and discounts resulting from investment transactions are amortized on a systematic basis to their maturities. For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

(a) Available for sale investments

Investments which are classified as “available for sale” are subsequently measured at fair value. Available for sale investments are those investments that are not held-to-maturity nor held for trading. For an available for sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly in the statement of shareholders’ comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss previously recognised in the statements of shareholders’ comprehensive income should be included in the statement of shareholders’ income for the year. Available for sale investments for which fair value cannot be reliably measured are carried at amortised cost less impairment provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Investments in held to maturity securities

Investments which have fixed or determined payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the statement of shareholders' income when the investment is derecognized or impaired.

(c) Investments held for trading

For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs. Investments in commodity funds are classified as financial instruments held for trading and stated at market value. Changes in market value are credited or debited to the statement of shareholders' comprehensive income.

Impairment and uncollectibility of financial assets

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

- For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the statement of shareholders' comprehensive income.
- For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is determined based on future cash flows that are discounted at the original effective special commission rate.

Zakat and income tax

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis at the year end and is charged to the statement of shareholders' comprehensive income in accordance with Saudi Arabian fiscal regulations. The zakat charge is computed on the Saudi shareholder's share of the zakat base. Income tax is computed on the foreign shareholder's share of adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Deferred income tax, if any, arising from the tax effects of temporary differences between taxable income and financial income are recognized during the year in which such differences arise, and are adjusted when the related temporary differences are reversed. Deferred income tax is determined using tax rates that have been enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilized.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and can be measured reliably. Provisions are not recognised for future operating losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special commission income

Special commission income from time deposits is recognized on an effective yield basis.

Accounts payable, accrued expenses and other liabilities

Accounts payable, accrued expenses and other liabilities are carried at cost which is the fair value of the consideration to be paid in the future for the services received, whether or not billed to the Company.

Trade date accounting

All purchases and sales of financial assets are recognized /derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). 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.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, premiums and insurance balances receivable, due from related parties, due from shareholders' operations, investments, reinsurers' share of outstanding claims and other assets and its financial liabilities consist of accounts payables, reinsurance balances payable, gross outstanding claims, due to insurance operations, due to a related party and other liabilities.

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 repackaging);

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.

End-of-service indemnities

Employees' end-of-service indemnities are accrued based on the completed service and are payable as a lump sum to all employees under the terms and conditions of Saudi Arabian Labor Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled at the statement of financial position date. End-of-service payments are based on employee's final salaries and allowances and their cumulative years of service, as stipulated by the Saudi Arabian Labor Regulations.

Foreign currency translation

Transactions in foreign currencies are recorded in Saudi Riyals at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statements of insurance operations and shareholders' comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia and its by-laws, the Company shall allocate 20% of the net shareholders' income each year to the statutory reserve until the reserve equals 100% of the share capital.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statement of insurance operations and statement of shareholders' comprehensive income unless required or permitted by any accounting standard or interpretation.

Premiums earned and reinsurance commission income

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.

Premiums and reinsurance commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned based on the following methods:

- Premiums written in the last three months of the financial year for marine business
- Actual number of days for other lines of business

Premiums receivable

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

Premium deficiency reserve

The Company carries out an analysis of loss/combined ratios for the expired period. Such ratios are being calculated by taking into account the relevant incurred but not reported provision and then used for the determination of a premium deficiency reserve for each class of business.

Gross outstanding claims

Claims consist of amounts payable to policyholders and related loss adjustment expenses, net of salvage and other recoveries, and are charged to the statement of insurance operations as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liability adequacy test

At each reporting date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of insurance operations and an unexpired risk provision is created.

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned.

Reinsurance

The Company's reinsurance program is affected through proportional, non proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks. The Company cedes insurance risk in the normal course of business for all of its lines of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Claims recoverable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

Surplus distribution payable

Surplus distribution payable represents policyholders' share of surplus generated by insurance operations during the year and is calculated at 10% of the total surplus generated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

Operating segments

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

- Property, which covers fire and allied perils, property all risks.
- Motor, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Engineering, which provides coverage against the Contractors' all risks (CAR), Erection all risks (EAR), Machinery all risks etc.
- Medical, which covers medical costs, medicines, and all other medical services and supplies.
- Marine, which covers marine cargo and marine hull.
- Other classes include casualty which provides coverage against the loss of money, personal accident, workmen's compensation, travel, public liability, employee dishonesty, comprehensive personal insurance and any other classes of insurance not included above.

Shareholders' income is a non-operating segment. Investment income is the 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting 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. Further, details of the specific estimates and judgments made by management are given in the accounting policy note.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed as follows.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

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 reporting date, for which the insured event has occurred prior to the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

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

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be 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 consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred policy acquisition costs

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

5. ASSETS AND LIABILITIES PURCHASE AGREEMENT AND COMMENCEMENT OF ACTIVITIES

The Company started its insurance operations on February 13, 2010. The Company's Board of Directors approved on April 14, 2010, to transfer the insurance portfolio and net assets of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabia Operations and Al Alamiya for Commerce and Services Limited, to the Company after completing the related procedures as required under the Saudi Arabian Monetary Agency (SAMA's) letter addressed to the Company on March 24, 2010. The transfer of the insurance portfolio and net assets has been approved by the shareholders at their General Assembly Meeting.

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabian Operations and Al Alamiya for Commerce and Services Limited. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA letter of November 10, 2008 ("the Letter"), the value of combined goodwill was estimated at SR 64.14 million.

Following the approval on the transfer from the respective authorities in 2012, the management has reissued its financial statements for the period from inception (November 15, 2009) to December 31, 2010 and for the year ended December 31, 2011 to include the effect of the transfer.

6. CASH AND CASH EQUIVALENTS

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Cash in hand	42,500	-	77,604	-
Cash at banks - Current accounts	12,460,700	30,878,826	13,873,368	24,455,671
- Time deposits	45,280,143	-	30,056,227	-
	57,783,343	30,878,826	44,007,199	24,455,671

Included in cash and cash equivalents is SR 26.48 million (2011: SR 34.64 million) associated with the portfolio transfer process which is currently held in the name of a related party on behalf of the Company.

7. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2012	2011
	SR	SR
Premiums receivable	54,858,452	49,280,584
Receivables from insurance and reinsurance companies	6,337,343	7,991,579
Premiums receivable from related parties (note 22)	27,576,263	54,377,041
	88,772,058	111,649,204
Less: allowance for doubtful debts	(15,715,621)	(20,285,948)
	73,056,437	91,363,256

Allowance for doubtful debts includes SR 3,809,846 (2011: SR 7,240,171) against receivables from related parties.

The aging analysis of premiums and insurance balances receivable as at December 31, 2012 is set out below:

		Past due but not impaired		
Amounts in SR	Neither past due nor impaired	91 to 180 days	More than 180 days	Total
Premiums receivable	23,746,603	12,143,097	18,968,752	54,858,452
Receivables from insurance and reinsurance companies	1,971,740	202,451	4,163,152	6,337,343
Premiums receivable from related parties	16,232,037	5,276,468	6,067,758	27,576,263
	41,950,380	17,622,016	29,199,662	88,772,058

Premiums and insurance balances receivable comprise a large number of customers and related parties mainly within the Kingdom of Saudi Arabia as well as reinsurance companies. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. No individual, company or broker accounts for more than 19% of the premiums and insurance balances receivable as at December 31, 2012 (2011: 33%). In addition, the five largest customers/brokers account for 40% of the premiums and insurance balances receivable as at December 31, 2012 (2011: 46%).

Unimpaired premiums and insurance balances 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 receivables and the vast majority are, therefore, unsecured.

8. MOVEMENT IN UNEARNED PREMIUMS

	2012	2011
	SR	SR
Gross unearned premiums- opening balance	90,251,887	72,975,000
Gross unearned premiums- closing balance	(103,792,000)	(90,251,887)
Movement in unearned premiums, gross	(13,540,113)	(17,276,887)
Reinsurers› share of unearned premiums - opening balance	(36,425,889)	(26,357,000)
Reinsurers› share of unearned premiums - closing balance	38,856,217	36,425,889
Movement in reinsurers' share of unearned premiums	2,430,328	10,068,889
Movement in unearned premiums, net	(11,109,785)	(7,207,998)

9. CLAIMS

	2012		
	Gross	Reinsurers' share	Net
	SR	SR	SR
Claims paid	115,096,181	(34,853,071)	80,243,110
Claims provided during the year	99,532,472	(66,721,877)	32,810,595
IBNR provided during the year	35,102,794	(17,755,029)	17,347,765
	249,731,447	(119,329,977)	130,401,470
Less: Opening balance:			
Outstanding claims	119,266,419	(74,200,628)	45,065,791
IBNR	31,910,000	(16,173,000)	15,737,000
	151,176,419	(90,373,628)	60,802,791
Incurred during the year	98,555,028	(28,956,349)	69,598,679
As at December 31			
Outstanding claims	99,532,472	(66,721,877)	32,810,595
IBNR	35,102,794	(17,755,029)	17,347,765
	134,635,266	(84,476,906)	50,158,360
Less: Opening balance:			
Outstanding claims	119,266,419	(74,200,628)	45,065,791
IBNR	31,910,000	(16,173,000)	15,737,000
	151,176,419	(90,373,628)	60,802,791
Changes in outstanding claims	(16,541,153)	5,896,722	(10,644,431)

9. CLAIMS (Continued)

	2011		
	Gross	Reinsurers› share	Net
	SR	SR	SR
Claims paid	117,218,449	(46,446,833)	70,771,616
Claims provided during the year	119,266,419	(74,200,628)	45,065,791
IBNR provided during the year	31,910,000	(16,173,000)	15,737,000
	268,394,868	(136,820,461)	131,574,407
Less: Opening balance:			
Outstanding claims	68,382,583	(27,586,628)	40,795,955
IBNR	29,318,000	(11,567,000)	17,751,000
	97,700,583	(39,153,628)	58,546,955
Incurred during the year	170,694,285	(97,666,833)	73,027,452
As at December 31			
Outstanding claims	119,266,419	(74,200,628)	45,065,791
IBNR	31,910,000	(16,173,000)	15,737,000
	151,176,419	(90,373,628)	60,802,791
Less: Opening balance:			
Outstanding claims	68,382,583	(27,586,628)	40,795,955
IBNR	29,318,000	(11,567,000)	17,751,000
	97,700,583	(39,153,628)	58,546,955
Changes in outstanding claims	53,475,836	(51,220,000)	2,255,836

10. DEFERRED POLICY ACQUISITION COSTS

	2012	2011
	SR	SR
At January 1	5,997,709	6,373,620
Cost incurred during the year	11,903,335	16,014,560
Charge for the year	(13,211,345)	(16,390,471)
December 31	4,689,699	5,997,709

11. PREPAYMENTS AND OTHER ASSETS

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' Operations
	SR	SR	SR	SR
Prepaid rent	293,223	-	104,028	-
Employees' housing advances	917,513	-	423,337	-
Other prepaid expenses	402,579	-	354,902	-
Other assets	2,983,831	430,127	886,242	69,398
	4,597,146	430,127	1,768,509	69,398

12. PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment	Motor vehicles	Total
	SR	SR	SR
Cost:			
January 1, 2011	6,940,216	943,150	7,883,366
Additions	374,162	-	374,162
Disposals	-	(558,700)	(558,700)
December 31, 2011	7,314,378	384,450	7,698,828
Additions	853,934	-	853,934
December 31, 2012	8,168,312	384,450	8,552,762
Depreciation:			
January 1, 2011	5,741,807	589,577	6,331,384
Charged for the year	665,755	180,551	846,306
Disposals	-	(465,831)	(465,831)
December 31, 2011	6,407,562	304,297	6,711,859
Charged for the year	636,582	64,424	701,006
December 31, 2012	7,044,144	368,721	7,412,865
Net book value:			
December 31, 2012	1,124,168	15,729	1,139,897
December 31, 2011	906,816	80,153	986,969

13. INVESTMENTS

a) Insurance operations – Investment

This includes SR 1,923,079 in respect of Company's share in the capital of Najm for Insurance Services.

b) Shareholders' operations – Available for sale investments

	Amortised Cost SR	Market Value SR
Bonds		
Tourism Development Investment Company (TDIC), (100% owned by Abu Dhabi Government)	3,957,442	4,003,125
Abu Dhabi National Energy Company (TAQA), (51% owned by Abu Dhabi Government)	3,846,540	3,851,700
Sukuks		
Saudi Electricity Company	18,970,969	19,331,062
	26,774,951	27,185,887

The effective special commission income ranges between 2.1% to 2.7% in case of Bonds and 2.4% in case of Sukuks.

14. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. SAMA is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Accrued salaries and benefits	3,348,540	-	2,725,062	600,000
Accrued supervision fees	431,415	-	434,390	-
Board of Directors' remuneration	-	488,000	-	500,000
Provision for zakat and income tax (note 21)	-	6,177,218	-	3,574,058
Withholding tax payable	4,033,317	-	3,501,016	-
Accrued IT related services	2,500,000	-	2,378,496	-
Accrued legal and professional fees	700,000	-	1,872,169	-
Outsourced service charges payable (note 22)	6,900,000	-	7,768,827	-
Other accrued expenses	2,366,605	875,975	5,222,870	400,148
	20,279,877	7,541,193	23,902,830	5,074,206

16. END-OF-SERVICE INDEMNITIES

	2012 SR	2011 SR
At January 1	6,813,067	7,598,041
Charged during the year (note 18)	2,276,432	2,013,942
Transfer from a related party	-	89,748
Paid during the year	(551,304)	(2,888,664)
December 31	8,538,195	6,813,067

17. UNEARNED REINSURANCE COMMISSION INCOME

	2012 SR	2011 SR
At January 1	4,544,143	3,049,002
Reinsurance commission received during the year	24,763,113	20,820,688
Reinsurance commission earned during the year	(21,468,122)	(19,325,547)
December 31	7,839,134	4,544,143

18. OPERATING AND ADMINISTRATIVE SALARIES – INSURANCE OPERATIONS

	2012 SR	2011 SR
Salaries and benefits	34,576,330	29,287,985
End-of-service indemnities (note 16)	2,276,432	2,013,942
	36,852,762	31,301,927

19. OTHER GENERAL AND ADMINISTRATIVE EXPENSES – INSURANCE OPERATIONS

	2012 SR	2011 SR
Outsourced service charges (note 22)	6,900,000	6,976,843
Rent (note 30)	1,745,431	1,487,249
(Reversal)/provision for doubtful debts	(4,570,327)	8,561,721
Depreciation	701,068	846,306
Professional fees	723,926	3,034,109
Business travel and transport	3,967,410	2,286,503
IT related services	4,008,958	1,389,882
Utilities	1,348,583	995,171
Stationery	401,682	218,542
Fees and subscriptions	-	27,925
Promotion and advertising	108,899	1,199,993
Others	1,031,701	801,691
	16,367,331	27,825,935

20. GENERAL AND ADMINISTRATIVE EXPENSES – SHAREHOLDERS' OPERATIONS

	2012 SR	2011 SR
Salaries and benefits	350,000	600,000
Remuneration of the Board of Directors (note 22)	488,000	500,000
Legal and professional fees	639,493	900,011
Others	442,544	432,816
	1,920,037	2,432,827

21. ZAKAT AND INCOME TAX

a) Zakat base

The principal elements of zakat base are as following:

	2012 SR	2011 SR
Non-current assets	21,139,897	20,986,969
Opening shareholders equity	136,315,562	157,535,060
Investments	29,658,966	2,473,079
Net income (loss) for the year before zakat and income tax	3,762,831	(18,007,701)

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

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

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

Zakat:	2012 SR	2011 SR
Opening balance	3,574,058	3,266,425
Provision for the year	3,020,566	3,211,797
Paid during the year	(469,483)	(2,904,164)
December 31	6,125,141	3,574,058

21. ZAKAT AND INCOME TAX (Continued)

Income tax:	2012 SR	2011 SR
Provision for the year	52,077	-
December 31	52,077	-

The charge for the year for zakat and income tax is as follows:

	2012 SR	2011 SR
Zakat	3,020,566	3,211,797
Income tax	52,077	-
Charged to statement of shareholders' comprehensive income	3,072,643	3,211,797

Outstanding assessments

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2011, obtained the required certificates and official receipts. Final assessments for the years 2010 and 2011 are still under review by the DZIT.

Deferred tax

Temporary and permanent differences between financial income and taxable income as determined under Saudi Arabian tax laws, for the year ended December 31, 2012, are not significant and hence no deferred tax has been recognized.

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following are the details of major transactions with related parties during the year:

Related parties	Nature of transactions	2012 SR	2011 SR
Shareholders/affiliates	Gross written premiums	93,582,190	90,162,780
	Gross claims paid and other expenses	62,271,678	59,502,432
	Reinsurance premiums ceded	44,330,161	37,003,344
	Reinsurers' share of gross claims paid	9,219,084	13,718,714
	Reinsurance commission income	12,856,578	11,377,881
	Outsourced service charges	6,900,000	6,976,843
	Brand fee	30,100	30,100
Board of Directors	Remuneration and meeting fee	488,000	500,000

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

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

Related parties	Nature of transactions	2012 SR	2011 SR
Shareholders/affiliates	Premiums receivable	27,576,263	54,377,041
	Gross outstanding claims and expenses	(55,339,134)	(58,161,335)
	Reinsurers' share of gross outstanding claims	24,272,489	26,126,683
	Outsourced service charges payable	(6,900,000)	(7,768,827)
	Brand fee payable	(90,300)	(60,200)
Board of Directors	Remuneration and meeting fee payable	(488,000)	(500,000)

Compensation of key management personnel

The remuneration of key management personnel during the year were as follows:

	2012 SR	2011 SR
Salaries and benefits	6,189,071	6,064,035
End-of-service indemnities	152,692	156,766
	6,341,763	6,220,801

23. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million consisting of 20 million shares of SR 10 each.

24. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share for the year has been calculated by dividing the net income (loss) for the year before zakat and income tax by the weighted average number of ordinary shares outstanding during the year.

25. 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.

26. GEOGRAPHICAL DISTRIBUTION

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, 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 investments which are carried at cost.

28. CONTINGENCIES AND COMMITMENTS

Goodwill

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabian Operations and Al Alamiya for Commerce and Services Limited. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA letter of November 10, 2008 ("the Letter"), the value of combined goodwill was estimated at SR 64.14 million. The amount will be paid in accordance with SAMA's instructions therein which include, among other matters, the following conditions:

- The Company shall maintain solvency ratios and minimum capital requirements as per the guidelines prescribed by SAMA in this respect;
- No payment of goodwill will be made in the year when the Company reports a loss and the goodwill shall not be paid out of any retained earnings from earlier years;
- The payment is restricted to 50% of the profit earned in the first year; and
- Limitation will be placed by SAMA on the period during which payments can be made.

In view of the accumulated losses and the requirements set by SAMA in this respect as illustrated above, and the fact that the Company was not in a position to make the initial payment of goodwill, the goodwill has not been recorded as a liability and hence was reflected as a contingent liability in the financial statements pending compliance with SAMA requirements in this respect and their approval for payment.

Legal proceedings

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

29. SEGMENTAL INFORMATION

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

Segment results do not include operating and administrative salaries, other general and administrative expenses, special commission income and other income.

Segment assets do not include cash and cash equivalents, investments, premiums and insurance balances receivable, prepayments and other assets, due from related parties, due from shareholders operations, and property and equipment.

Segment liabilities do not include accounts payable, reinsurance balances payable, accrued expenses and other liabilities and end-of-service indemnities.

29. SEGMENTAL INFORMATION (Continued)

Operating Segments

For the year ended December 31, 2012	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	52,372,476	95,454,235	22,203,778	10,295,897	35,282,647	32,460,678	248,069,711
Reinsurance premiums ceded	(46,307,601)		(18,177,318)	(2,391,976)	(21,863,681)	(15,879,274)	(104,619,850)
Excess of loss premiums	(2,424,306)	(4,351,521)	(2,447,123)	(350,236)	(1,823,287)	(726,675)	(12,123,148)
Net premiums written	3,640,569	91,102,714	1,579,337	7,553,685	11,595,679	15,854,729	131,326,713
Change in unearned premiums, net	(1,304,770)	(10,040,900)	802,548	652,994	309,444	(1,529,101)	(11,109,785)
Net premiums earned	2,335,799	81,061,814	2,381,885	8,206,679	11,905,123	14,325,628	120,216,928
Gross claims paid and other expenses	(11,468,885)	(70,474,283)	(5,120,949)	(9,800,902)	(11,688,883)	(6,542,279)	(115,096,181)
Reinsurers' share of gross claims paid	10,880,299	3,500,000	3,629,364	4,755,952	6,769,322	5,318,134	34,853,071
Change in outstanding claims, net	(35,100)	12,715,873	4,301	(293,998)	(1,462,984)	(283,661)	10,644,431
Net claims incurred	(623,686)	(54,258,410)	(1,487,284)	(5,338,948)	(6,382,545)	(1,507,806)	(69,598,679)
Policy acquisition costs	(2,065,321)	(5,613,868)	(2,564,987)	(331,612)	(1,940,016)	(695,541)	(13,211,345)
Reinsurance commission income	7,589,258	-	4,861,448		7,175,218	1,842,198	21,468,122
	7,236,050	21,189,536	3,191,062	2,536,119	10,757,780	13,964,479	58,875,026
Other underwriting expenses	-	-	-	-	-	-	(1,180,667)
Net underwriting result							57,694,359
Operating and administrative salaries							(36,852,762)
Other general and administrative expenses							(16,367,331)
Special commission income							347,558
Other income, net							58,185
Insurance operations' surplus							4,880,009

As at December 31, 2012	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	16,801,832	-	8,814,912	2,096,979	4,920,168	6,222,326	38,856,217
Reinsurers' share of outstanding claims	46,971,330	290,997	12,039,580	2,264,977	15,044,150	7,865,872	84,476,906
Deferred policy acquisition costs	1,017,176	1,731,434	891,155	334,699	469,995	245,240	4,689,699
Unallocated assets	-	-	-	-	-	-	196,084,726
							324,107,548
Insurance operations' liabilities							
Unearned reinsurance commission income	4,068,786	-	1,760,940		1,487,985	521,423	7,839,134
Gross unearned premiums	19,207,808	47,042,530	10,359,896	6,363,936	9,105,909	11,711,921	103,792,000
Gross outstanding claims	51,044,490	24,349,757	19,362,806	4,232,958	21,371,786	14,273,469	134,635,266
Unallocated liabilities	-	-	-	-	-	-	77,841,148
							324,107,548

29. SEGMENTAL INFORMATION (Continued)

Operating Segments

For the year ended December 31, 2011	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	45,167,548	84,054,710	22,899,771	17,505,825	31,660,683	26,641,734	227,930,271
Reinsurance premiums ceded	(40,904,392)	-	(17,161,230)	(7,675,923)	(17,486,425)	(13,336,842)	(96,564,812)
Excess of loss premiums	(1,733,555)	(1,610,681)	(2,260,888)	(303,316)	(3,236,420)	(895,461)	(10,040,321)
Net premiums written	2,529,601	82,444,029	3,477,653	9,526,586	10,937,838	12,409,431	121,325,138
Change in unearned premiums, net	(485,212)	(8,961,919)	2,029,424	(1,843,982)	2,755,742	(702,051)	(7,207,998)
Net premiums earned	2,044,389	73,482,110	5,507,077	7,682,604	13,693,580	11,707,380	114,117,140
Gross claims paid and other expenses	(35,052,649)	(54,447,077)	(7,332,927)	(8,609,914)	(6,680,933)	(5,094,949)	(117,218,449)
Reinsurers' share of gross claims paid	31,994,288	-	4,498,155	4,866,951	1,492,472	3,594,967	46,446,833
Change in outstanding claims, net	(1,688,283)	(743,388)	1,729,982	(39,999)	241,297	(1,755,445)	(2,255,836)
Net claims incurred	(4,746,644)	(55,190,465)	(1,104,790)	(3,782,962)	(4,947,164)	(3,255,427)	(73,027,452)
Policy acquisition costs	(2,354,614)	(8,251,315)	(2,783,683)	(449,118)	(1,505,954)	(1,045,787)	(16,390,471)
Reinsurance commission income	9,097,685	-	3,853,089	-	4,138,084	2,236,689	19,325,547
	4,040,816	10,040,330	5,471,693	3,450,524	11,378,546	9,642,855	44,024,764
Other underwriting expenses	-	-	-	-	-	-	(1,833,389)
Net underwriting result							42,191,375
Operating and administrative salaries							(31,301,927)
Other general and administration expenses							(27,825,935)
Special commission income							96,479
Other income, net							181,668
Insurance operations' deficit							(16,658,340)

As at December 31, 2011	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	15,803,625	-	7,504,369	4,369,956	4,099,729	4,648,210	36,425,889
Deferred policy acquisition costs	518,523	3,831,883	874,168	46,317	493,030	233,788	5,997,709
Reinsurers' share of outstanding claims	54,198,358	3,267,967	14,456,255	3,337,967	8,366,216	6,746,865	90,373,628
Unallocated assets	-	-	-	-	-	-	198,152,340
							330,949,566
Insurance operations' liabilities							
Gross unearned premiums	16,904,831	37,001,630	9,851,901	9,289,907	8,594,914	8,608,704	90,251,887
Gross outstanding claims	58,236,418	40,042,600	21,783,782	5,011,950	13,230,868	12,870,801	151,176,419
Unearned reinsurance commission income	1,987,150	-	1,276,720	-	1,230,820	49,453	4,544,143
Unallocated liabilities	-	-	-	-	-	-	84,977,117
							330,949,566

30. OPERATING LEASE ARRANGEMENTS

	2012		2011	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Payments under operating leases recognized as an expense during the year	1,745,431	-	1,487,249	-

Operating lease payments represent rentals payable by the Company for the offices. Leases are negotiated for an average term of one year and rental is fixed for the term of the lease.

31. RISK MANAGEMENT

Risk governance

The management ensures risk is managed to reduce losses and ensure opportunities for profitable growth are taken. The Company operates under a framework through which risk management and control is embedded in its various activities.

Board of Directors:

The Board is responsible for the Company's risk management system and defining the Company's risk appetite.

Executive management:

Executive management is responsible for implementing systems and controls that manage risk exposures to the risk appetite.

The Risk Committee ensures that material risks are identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.

The Company has '3 lines of defence' for the oversight and management of risks as follows:

1st line – management:

Setting strategy, performance measurement, establishment and maintenance of internal control and risk management in the business.

2nd line – risk oversight:

- Operating a formal risk management framework within which the Company policies and minimum standards are set;
- Oversight and challenge across the Company

3rd line – independent assurance (Internal Audit)

Providing independent and objective assurance of the effectiveness of the Company's systems of internal control established by the first and second lines of defence. 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 Company's policy statements set out the minimum standards to be maintained by the Company's operations to manage their risks in a way that is consistent with the risk appetite.

31. RISK MANAGEMENT (Continued)

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

Insurance risk management

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies, procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local market are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The Company observes the credit standards set by SAMA and follows the international reinsurance counterparty best practices. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary. This is done both at the case and portfolio levels.

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.

Property

Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting therefrom, 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.

31. RISK MANAGEMENT (Continued)

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.

Motor

For motor insurance contracts, the main elements of risk are claims arising out of insured vehicles as well as damage to third parties' properties. Further, death claims compensation are made in accordance with the laws as applicable in the Kingdom of Saudi Arabia.

This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

Marine

In marine insurance, the main risk elements are loss or damage to insured cargo due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Reinsurance arrangements have been made with reinsurers through proportional treaties as well as non-proportional treaties.

Medical

Medical insurance is compulsory in Saudi Arabia and the coverage and limits are as prescribed by the Council of Cooperative Health Insurance ("CCHI"). Selection of the groups covered, proper pricing and effective claims management are the core areas for profitable underwriting of this line of business. Medical insurance is covered by a separate proportional reinsurance treaty.

Others

Other classes include casualty which provides coverage against the loss of money, personal accident, workmen's compensation, travel, public liability, employee dishonesty, comprehensive personal insurance. The extent of loss or damage is the main factor that influences the level of claims.

Concentration of insurance risk

The Company does not have insurance contracts covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation.

Regulatory risk (Non-compliance risk)

Regulatory Risk is the risk to the Company of not meeting the legal and regulatory requirements in the Kingdom of Saudi Arabia.

The regulatory compliance framework is aligned with the Company's business principles and commitments and sets out the Company's standards and practices to comply with all regulatory requirements. It is our priority that we are adequately capitalised, our operations are prudently managed and lawfully and ethically conducted.

31. RISK MANAGEMENT (Continued)

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 of 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, credit worthy third parties. 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's investment portfolio is managed by the investment committee in accordance with the investment policy established by that committee.
- Cash and cash equivalents as well as term deposits are restricted to commercial banks having strong financial positions and credit ratings.

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

	2012		2011	
	Insurance operations	Shareholders operations	Insurance operations	Shareholders operations
	SR	SR	SR	SR
Cash and cash equivalents	57,783,343	30,878,826	44,007,199	24,455,671
Time deposits	-	90,742,725	-	118,205,017
Investments	2,473,079	27,185,887	2,473,079	-
Premiums and insurance balances receivable	88,772,058	-	111,649,204	-
Reinsurers' share of outstanding claims	84,476,906	-	90,373,628	-
Due from related parties	29,378,370	-	25,504,866	-
Other assets	917,513	430,127	423,337	69,398
	263,801,269	149,237,565	274,431,313	142,730,086

Liquidity risk

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

31. RISK MANAGEMENT (Continued)

Maturity profiles

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

	2012		
	Up to one year	More than one year	Total
	SR	SR	SR
INSURANCE OPERATIONS› FINANCIAL ASSETS			
Cash and cash equivalents	57,783,343	-	57,783,343
Investments	-	2,473,079	2,473,079
Premiums and Insurance balances receivable	88,772,058	-	88,772,058
Reinsurance share in outstanding claims	84,476,906	-	84,476,906
Due from related parties	29,378,370	-	29,378,370
Other assets	917,513	-	917,513
	261,328,190	2,473,079	263,801,269
SHAREHOLDERS' FINANCIAL ASSETS			
Cash and cash equivalents	30,878,826	-	30,878,826
Time deposits	90,742,725	-	90,742,725
Other assets	430,127	-	430,127
Available for sale investments	-	27,185,887	27,185,887
	122,051,678	27,185,887	149,237,565
TOTAL FINANCIAL ASSETS	383,379,868	29,658,966	413,038,834

	2011		
	Up to one year	More than one year	Total
	SR	SR	SR
INSURANCE OPERATIONS› FINANCIAL ASSETS			
Cash and cash equivalents	44,007,199	-	44,007,199
Investments	-	2,473,079	2,473,079
Premiums and Insurance balances receivable	111,649,204	-	111,649,204
Reinsurance share in outstanding claims	90,373,628	-	90,373,628
Due from related parties	25,504,866	-	25,504,866
Other assets	423,337	-	423,337
	271,958,234	2,473,079	274,431,313
SHAREHOLDERS' FINANCIAL ASSETS			
Cash and cash equivalents	24,455,671	-	24,455,671
Time deposits	118,205,017	-	118,205,017
Other assets	69,398	-	69,398
	142,730,086	-	142,730,086
TOTAL FINANCIAL ASSETS	414,688,320	2,473,079	417,161,399

31. RISK MANAGEMNT (Continued)

	2012		
	Up to one year	More than one year	Total
	SR	SR	SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	15,342,280	-	15,342,280
Reinsurance balances payable	28,759,017	-	28,759,017
Accrued expenses and other liabilities	15,815,145	-	16,246,560
Gross outstanding claims	134,635,266	-	134,635,266
	194,551,708	-	194,983,123
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	1,363,975	-	1,363,975
	1,363,975	-	1,363,975
TOTAL FINANCIAL LIABILITIES	195,915,683	-	196,347,098

	2011		
	Up to one year	More than one year	Total
	SR	SR	SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	11,035,157	-	11,035,157
Reinsurance balances payable	31,839,236	-	31,839,236
Accrued expenses and other liabilities	19,817,424	-	19,817,424
Gross outstanding claims	151,176,419	-	151,176,419
	213,868,236	-	213,868,236
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	1,500,148	-	1,500,148
	1,500,148	-	1,500,148
TOTAL FINANCIAL LIABILITIES	215,368,384	-	215,368,384

31. RISK MANAGEMENT (Continued)

Liquidity profile

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

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's assets and liabilities are denominated in Saudi Riyals except investments made during the year amounting to SR 27,185,887 by shareholders for which currency of investment is US$. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations.

Commission rate risk

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

The Company is exposed to commission rate risk on certain of its time deposits. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

The following table demonstrates the sensitivity of the statement of shareholders' comprehensive income to reasonably possible changes in commission rates, with all other variables held constant.

The sensitivity of the statement of shareholders' comprehensive income is the effect of the assumed changes in commission rates on the Company's income for the year, based on the floating rate financial assets and financial liabilities held as at December 31:

	Change	Effect on comprehensive income for the year
	in basis points	SR
2012	+10	-
2012	-10	-
2011	+10	785
2011	-10	(785)

Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from 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' comprehensive income will be impacted.

Capital management

Capital requirements are set and regulated by SAMA. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximise shareholder value.

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on February 13, 2013 corresponding to 3 Rabi II, 1434H.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

REISSUED FINANCIAL STATEMENTS AND INDEPENDENT

AUDITORS' REPORT

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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 reissued statement of financial position of Al Alamiya for Cooperative Insurance Company – a Saudi Joint Stock Company ("the Company") as at December 31, 2011 and the related reissued statements of insurance operations, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' operations cash flows for the year then ended and the notes 1 to 33 which form an integral part of these reissued financial statements. These reissued financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these reissued 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 reissued financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the reissued financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall reissued financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the reissued financial statements.

UNQUALIFIED OPINION

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

1. Present fairly, in all material respects, the financial position of the Company as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and

2. Comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the reissued financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE SHAREHOLDERS OF AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

EMPHASIS OF MATTERS

- We draw attention to note 5 of the reissued financial statements, which states that the Company reissued these financial statements as at December 31, 2011 and the reasons for the qualification in our Audit Report dated February 12, 2012 on those financial statements are no longer relevant, having received the approval from respective regulatory parties on the transfer of the insurance portfolio and net assets of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabian Operations and Al Alamiya for Commerce and Services Limited.

- These reissued financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
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Al Bassam
Certified Public Accountants & Consultants

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Deloitte & Touche
Bakr Abulkhair & Co.

25 Jumada I, 1433H
April 17, 2012

البسام
محاسبون قانونيون واستشاريون
ترخيص رقم (٣٣٧)
License No. (337)
Al-Bassam CPAs & Consultants

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Note	2011 SR	2010 SR
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	6	44,007,199	39,269,809
Investment	13	2,473,079	2,423,079
Premiums and insurance balances receivable	7	91,363,256	65,829,056
Reinsurers' share of unearned premiums	8	36,425,889	26,357,000
Reinsurers' share of outstanding claims	9	90,373,628	39,153,628
Deferred policy acquisition costs	10	5,997,709	6,373,620
Prepayments and other assets	11	1,768,509	1,534,541
Due from related parties		25,504,866	16,374,738
Due from shareholders' operations		32,048,462	15,390,122
Due from shareholders' operations-current account		-	727,156
Property and equipment	12	986,969	1,551,982
TOTAL INSURANCE OPERATIONS' ASSETS		330,949,566	214,984,731
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	6	24,455,671	27,413,104
Time deposits		118,205,017	130,007,078
Due from policyholders' operations-current account		11,386,827	-
Other assets	11	69,398	140,945
Statutory deposit	14	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		174,116,913	177,561,127
TOTAL ASSETS		505,066,479	392,545,858

The accompanying notes 1 to 33 form an integral part of these reissued financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT DECEMBER 31, 2011

	Note	2011 SR	2010 SR
INSURANCE OPERATIONS' LIABILITIES			
Accounts payable		11,035,157	8,920,031
Reinsurance balances payable		31,839,236	9,665,622
Unearned reinsurance commission income	17	4,544,143	3,049,002
Gross unearned premiums	8	90,251,887	72,975,000
Gross outstanding claims	9	151,176,419	97,700,583
Accrued expenses and other liabilities	15	23,902,830	15,076,452
Due to shareholders' operations-current account		11,386,827	-
End-of-service indemnities	16	6,813,067	7,598,041
TOTAL INSURANCE OPERATIONS' LIABILITIES		330,949,566	214,984,731
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Due to policyholders' operations		32,048,462	15,390,122
Due to policyholders' operations-current account		-	727,156
Due to a related party		678,683	-
Accrued expenses and other liabilities	15	5,074,206	3,908,789
TOTAL SHAREHOLDERS' LIABILITIES		37,801,351	20,026,067
SHAREHOLDERS' EQUITY			
Share capital	24	200,000,000	200,000,000
Accumulated losses		(63,684,438)	(42,464,940)
TOTAL SHAREHOLDERS' EQUITY		136,315,562	157,535,060
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		174,116,913	177,561,127
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		505,066,479	392,545,858

The accompanying notes 1 to 33 form an integral part of these reissued financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF INSURANCE OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
			(Note 1)
Gross written premiums	23	227,930,271	415,044,168
Less: Reinsurance premiums ceded	23	(96,564,812)	(158,979,748)
Excess of loss premiums		(10,040,321)	(21,763,187)
NET PREMIUMS WRITTEN		121,325,138	234,301,233
Change in unearned premiums, net	8	(7,207,998)	14,308,722
NET PREMIUMS EARNED		114,117,140	248,609,955
Gross claims paid and other expenses	9,23	(117,218,449)	(242,139,259)
Reinsurers' share of gross claims paid	9,23	46,446,833	81,640,420
Change in outstanding claims, net	9	(2,255,836)	(6,494,282)
NET CLAIMS INCURRED		(73,027,452)	(166,993,121)
Policy acquisition costs	10	(16,390,471)	(29,706,516)
Reinsurance commission income	17,23	19,325,547	31,383,985
Other underwriting expenses		(1,833,389)	(3,623,605)
NET UNDERWRITING RESULT		42,191,375	79,670,698
Operating and administrative salaries	18	(31,301,927)	(57,022,151)
Other general and administrative expenses	19,23	(27,825,935)	(39,676,139)
Special commission income		96,479	292,648
Other income, net		181,668	1,344,822
INSURANCE OPERATIONS' DEFICIT		(16,658,340)	(15,390,122)
Insurance operations' deficit transferred to shareholders' comprehensive income		16,658,340	15,390,122
Insurance operations' deficit after shareholders' appropriation		-	-

The accompanying notes 1 to 33 form an integral part of these reissued financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
REVENUE			
Shareholders' appropriation from insurance operations deficit		(16,658,340)	(15,390,122)
Special commission income		1,083,466	2,260,832
TOTAL REVENUE		(15,574,874)	(13,129,290)
COSTS AND EXPENSES			
General and administrative expenses	20	(2,432,827)	(1,257,257)
Incorporation and floatation expenses	21	-	(24,811,968)
TOTAL COSTS AND EXPENSES		(2,432,827)	(26,069,225)
NET LOSS FOR THE YEAR/PERIOD		(18,007,701)	(39,198,515)
Other comprehensive expenses:			
Zakat and income tax	22	(3,211,797)	(3,266,425)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(21,219,498)	(42,464,940)
Loss per share for the year/period	25	(0.90)	(1.96)
Weighted average number of outstanding shares		20,000,000	20,000,000

The accompanying notes 1 to 33 form an integral part of these reissued financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	Share capital SR	Accumulated losses SR	Total SR
Share capital introduced	24	200,000,000	-	200,000,000
Net loss for the period		-	(39,198,515)	(39,198,515)
Zakat and income tax	22	-	(3,266,425)	(3,266,425)
December 31, 2010		200,000,000	(42,464,940)	157,535,060
Net loss for the year		-	(18,007,701)	(18,007,701)
Zakat and income tax	22	-	(3,211,797)	(3,211,797)
December 31, 2011		200,000,000	(63,684,438)	136,315,562

The accompanying notes 1 to 33 form an integral part of these reissued financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
OPERATING ACTIVITIES			
Insurance operations' surplus after shareholders' appropriation		-	-
Adjustments to reconcile insurance operations' surplus to net cash provided from operating activities:			
Depreciation	12	846,306	3,433,492
End-of-service indemnities	16	2,013,942	3,544,739
Gain on disposal of property and equipment		(159,052)	(683,365)
		2,701,196	6,294,866
Premiums and insurance balances receivable		(25,534,200)	14,066,434
Reinsurance share of unearned premiums		(10,068,889)	1,506,116
Reinsurers' share of outstanding claims		(51,220,000)	(10,013,696)
Deferred policy acquisition costs		375,911	1,260,381
Prepayments and other assets		(233,968)	747,457
Due from related parties		(9,040,380)	(16,374,738)
Due from shareholders' operations		(16,658,340)	(15,390,122)
Due from shareholders› operations-current account		727,156	(727,156)
Accounts payable		2,115,126	8,809,386
Reinsurance balances payable		22,173,614	(9,993,803)
Unearned reinsurance commission income		1,495,141	(2,330,740)
Gross unearned premiums		17,276,887	(15,814,838)
Gross outstanding claims		53,475,836	16,507,978
Accrued expenses and other liabilities		8,826,378	10,723,893
Due to shareholders' operations-current account		11,386,827	-
Cash from (used in) operations		7,798,295	(10,728,582)
End-of-service indemnities paid	16	(2,888,664)	(3,229,835)
Net cash from (used in) operating activities		4,909,631	(13,958,417)
INVESTING ACTIVITIES			
Purchase of property and equipment	12	(374,162)	(1,856,955)
Proceeds from disposal of property and equipment		251,921	683,365
Investment		(50,000)	(2,423,079)
Net cash used in investing activities		(172,241)	(3,596,669)
Net change in cash and cash equivalents		4,737,390	(17,555,086)
Cash and cash equivalents acquired	5	-	56,824,895
Cash and cash equivalents, beginning of the year/period	6	39,269,809	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	6	44,007,199	39,269,809

Non-cash transaction:			
End-of-service indemnities		89,748	-

The accompanying notes 1 to 33 form an integral part of these reissued financial statements.

AL ALAMIYA FOR COOPERATIVE INSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

REISSUED STATEMENT OF SHAREHOLERS’ OPERATIONS CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
OPERATING ACTIVITIES			
Net loss for the year/period		(18,007,701))	(39,198,515))
Changes in assets and liabilities:			
Other assets		71,547	(140,945))
Due from policyholders’ operations-current account		(11,386,827)	-
Statutory deposit		-	(20,000,000))
Due to a related party		678,683	-
Due to policyholders’ operations		16,658,340	15,390,122
Due to policyholders’ operations-current account		(727,156))	727,156
Accrued expenses and other liabilities		857,784	642,364
Cash used in operations		(11,855,330))	(42,579,818)
Zakat paid	22	(2,904,164))	-
Net cash used in operating activities		(14,759,494))	(42,579,818)
INVESTING ACTIVITIES			
Time deposits		11,802,061	(130,007,078)
Net cash from (used in) investing activities		11,802,061	(130,007,078)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	200,000,000
Net cash from financing activities		-	200,000,000
Net change in cash and cash equivalents		(2,957,433))	27,413,104
Cash and cash equivalents, beginning of year/period	6	27,413,104	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	6	24,455,671	27,413,104

The accompanying notes 1 to 33 form an integral part of these reissued financial statements.

1. ORGANIZATION 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 (November 17, 2009) under commercial registration number 4030194978.

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 (December 13, 2009), the Company received the license from Saudi Arabian Monetary Agency ("SAMA") to transact insurance business in the Kingdom of Saudi Arabia.

As per the by-laws of the Company, the first financial year of the Company shall cover the period from the date of the Ministerial official approval of the formation of the Company (i.e. November 15, 2009) until the December 31 of the following Gregorian year which is December 31, 2010.

The comparatives in the accompanying financial statements include the results of the operations of the Company from its inception on November 15, 2009 to December 31, 2010 together with those associated with the portfolio transferred (note 5) which was included with effect from January 1, 2009 as set forth in SAMA guidelines in this respect.

The Company's principal place of business is in Jeddah, Kingdom of Saudi Arabia.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Standards affecting the disclosures and presentation in the current year

None of the revised standards have been adopted in the current year which is effective for annual periods beginning on or after January 1, 2011 has affected the disclosures and presentations in the financial statements. Detail of those standards adopted in these reissued financial statements but that have had no effect on the amounts reported are set out in note 2.2.

2.2 Standards adopted with no effect on the financial statements

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

New Interpretations:		Effective for annual periods beginning on or after
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
Amendments to Standards and Interpretations:		
IFRS 1	Limited exemption from Comparative IFRS 7 Disclosures for First Time adopters	July 1, 2010
IFRS 2	Share-based payment- Amendments relating to group cash settled share-based payment transactions	January 1, 2010
IFRS 8	Operating Segments – Amendments for disclosure of segment assets	January 1, 2010
IAS 24	Related Party Disclosures	January 1, 2011
IAS 32	Financial Instruments: Presentation	February 1, 2010
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011
Various Standards	Amendments resulting from May 2008 and April 2009 Annual Improvements to IFRS's	Various

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

2.3 Standards in issue but not yet adopted

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

New Standard:		Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint Venture Arrangement	January 1, 2013
IAS 28	Investments in Associates and Joint Venture	January 1, 2013
IFRS 12	Disclosure of Interest in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
Amendments to Standards and Interpretations:		
IFRS 7	Financial Instruments: Disclosures Amendments to IFRS	July 1, 2011
IAS 12	Deferred Tax: Recovery of underlying Assets	January 1, 2012
IFRS 1	First time adoption of International Financial Reporting Standards	July 1, 2011
IAS 19	Employee benefits	January 1, 2013
IAS 1	Presentation of Financial Statements	July 1, 2012
IFRS 7	Financial Instruments: Disclosures- offsetting Financial Assets and Financial Liabilities	January 1, 2013
IAS 32	Financial Instruments Presentation-Offsetting financial assets and financial liabilities	January 1, 2014

The Directors anticipate that, where applicable, the above Standards and Interpretations will be adopted in the Company's financial statements for the future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The management prepared these reissued financial statements in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in Kingdom of Saudi Arabia.

The significant accounting policies adopted in the preparation of these reissued financial statements are set out below:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting convention

The reissued financial statements are prepared under the historical cost convention except for revaluation of certain financial assets.

Basis of presentation

The Company maintains separate books of account for the insurance operations and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and approved by the Board of Directors.

Functional and presentational currency

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and time deposits with original maturities of less than three months at the date of acquisition.

Property and equipment

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the reissued statement of insurance operations on a straight line basis based on the following estimated useful lives:

	Years
Furniture, fixtures and office equipment	3
Motor vehicles	3

Investments

All investments are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Premiums and discounts resulting from investment transactions are amortized on a systematic basis to their maturities. For investments that are traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date without any deduction for transaction costs.

(a) Available for sale investments

Investments which are classified as “available for sale” are subsequently measured at fair value. Available for sale investments are those investments that are not held-to-maturity nor held for trading. For an available for sale investment where the fair value has not been hedged, any unrealized gain or loss arising from a change in its fair value is recognised directly in the reissued statement of shareholders’ comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss previously recognised in the statements of shareholders’ comprehensive income should be included in the reissued statement of shareholders’ comprehensive income for the year/period. Available for sale investments for which fair value cannot be reliably measured are carried at amortised cost less impairment provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

(b) Investments in held to maturity securities

Investments which have fixed or determined payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognised in the reissued statement of shareholders' comprehensive income when the investment is derecognized or impaired.

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the reissued statement of shareholders' comprehensive income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the statement of shareholders' comprehensive income.
- For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is determined based on future cash flows that are discounted at the original effective special commission rate.

Zakat and income tax

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis at the year end and is charged to reissued statement of changes in shareholders' equity in accordance with Saudi Arabian fiscal regulations. The zakat charge is computed on the Saudi shareholder's share of the zakat base. Income tax is computed on the foreign shareholder's share of adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Special commission income

Special commission income from time deposits is recognized on an effective yield basis.

Incorporation and floatation expenses

Incorporation and floatation expenses include expenses which do not have future benefits and accordingly were written off in the first year after incorporation.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognised for future operating losses.

Accounts payable, accrued expenses and other liabilities

Accounts payable, accrued expenses and other liabilities are carried at cost which is the fair value of the consideration to be paid in the future for the services received, whether or not billed to the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade date accounting

All regular way purchases and sales of financial assets are recognized /derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, premiums and reinsurance balances receivable, due from related parties, investment, reinsurers' share of outstanding claims and other assets and its financial liabilities consist of accounts payables, reinsurance balance payable, outstanding claims and other liabilities.

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

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 repackaging);

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.

End-of-service indemnities

Employees' end-of-service indemnities are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Arabian Labor Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled at the reissued statement of financial position date. End-of-service payments are based on employee's final salaries and allowances and their cumulative years of service, as stipulated by the Saudi Arabian Labor Regulations.

Foreign currencies

Transactions denominated in foreign currencies are translated into Saudi Riyals at the exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at the rate of exchange prevailing at the reissued statement of financial position date. All differences are taken to the reissued statements of insurance operations and accumulated surplus and shareholders' comprehensive income.

Statutory reserve

In accordance with its by-laws, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the share capital.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the reissued 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 liability simultaneously. Income and expense are not offset in the reissued statement of insurance operations and accumulated surplus and reissued statement of shareholders' comprehensive income unless required or permitted by any accounting standard or interpretation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premiums earned and reinsurance commission income

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.

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

- Premiums written in last three months of the financial year for marine business
- Actual number of days for other lines of business

Premiums receivable

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

Premium deficiency reserve

The Company carries out an analysis of loss/combined ratios for the expired period. Such ratios are being calculated by taking into account the relevant incurred but not reported provision and then used for the determination of premium deficiency reserve for each class of business.

Gross outstanding claims

Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, and are charged to reissued statement of insurance operations as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at reporting date are made on the basis of individual case estimates. In addition, a provision based on management's judgment and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at reporting date. The ultimate liability may be in excess of or less than the amount provided.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year. 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.

Liability adequacy test

At each reporting date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the reissued statement of insurance operations and an unexpired risk provision is created.

Deferred policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of insurance contracts are deferred and amortized over the terms of the insurance contracts to which they relate, similar to premiums earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinsurance

The Company's reinsurance program is affected through proportional, non proportional and facultative placements based on the Company's net retention policy, treaty limits, nature and size of the risks. The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the reissued statement of insurance operations and accumulated surplus.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Claims recoverable from the reinsurers are recognised as an asset at the same time as the claims which give rise to the right of recovery are also recognised as a liability and are measured at the amount expected to be recovered.

Surplus distribution payable

Surplus distribution payable represents policyholders' share of surplus generated by insurance operations during the year/period and is calculated as 10% of the total surplus generated. The same is distributed to the policyholders in their relative proportions of profitability to the Company by way of reduction in their annual premiums.

Leasing

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating segments

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

- Property insurance, which covers fire and allied perils, property all risks.
- Engineering, which provides coverage against the Contractors' all risks (CAR), Erection all risks (EAR), Machinery all risks etc.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Medical, which covers medical costs, medicines, and all other medical services and supplies.
- Marine insurance, which covers marine cargo.
- Other classes include casualty which provides coverage against the loss of money, personal accident, workmen's compensation, travel public liability, employee dishonesty, comprehensive personal insurance and any other classes of insurance not included above.

Shareholders' income is a non-operating segment. Income earned from time deposits is the 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. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the accompanying reissued financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Use of estimates in the preparation of reissued financial statements

The preparation of reissued financial statements in conformity with generally accepted accounting principles 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 reissued financial statements and the reported amounts of revenues and expenses during the reporting year/period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further, details of the specific estimates and judgments made by management are given in the accounting policy note.

The preparation of the reissued financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

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

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be 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 consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred policy acquisition costs

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

5. ASSETS AND LIABILITIES PURCHASE AGREEMENT AND COMMENCEMENT OF ACTIVITIES

The Company started its insurance operations on February 13, 2010. The Company's Board of Directors approved on April 14, 2010, to transfer insurance portfolio and net assets of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabia Operations and Al Alamiya for Commerce and Services Limited, to the Company after completing the related procedures as required under the Saudi Arabian Monetary Agency (SAMA's) letter addressed to the Company on March 24, 2010. The transfer of insurance portfolio and net assets has been approved by the shareholders at their General Assembly Meeting.

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabian Operations and Al Alamiya for Commerce and Services Limited. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA letter of November 10, 2008 ("the Letter"), the value of combined goodwill was estimated at SR 64.14 million.

5. ASSETS AND LIABILITIES PURCHASE AGREEMENT AND COMMENCEMENT OF ACTIVITIES (Continued)

Following the approval on the transfer from the respective authorities in 2012, the management has reissued its financial statements for the period from inception (November 15, 2009) to December 31, 2010 and for the year ended December 31, 2011 to include the effect of the transfer (note 1).

The accompanying reissued financial statements include the assets and liabilities acquired under the said agreement and are as follows:

	Value recognised at the date of acquisition
	SR
Assets	
Cash and cash equivalents	56,824,895
Insurance premiums receivable	35,051,580
Due from related parties	44,267,647
Reinsurance balances receivable	576,263
Reinsurers› share of unearned premiums	27,863,116
Reinsurers› share of outstanding claims	29,139,932
Deferred policy acquisition cost	7,634,001
Prepayments and other assets	2,281,998
Property and equipment	3,128,519
Total assets	206,767,951
Liabilities	
Accounts payable and other liabilities	4,352,559
Due to related parties	110,645
Reinsurers and insurers balances payable	19,659,425
End-of-service indemnities	7,283,137
Unearned reinsurance commission income	5,379,742
Unearned premiums	88,357,838
Outstanding claims	81,192,605
Unexpired risk reserves	432,000
Total liabilities	206,767,951

6. CASH AND CASH EQUIVALENTS

	2011		2010	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Cash in hand	77,604	-	52,383	-
Cash at banks - Current accounts	13,873,368	24,455,671	9,185,453	27,413,104
- Time deposits	30,056,227	-	30,031,973	-
	44,007,199	24,455,671	39,269,809	27,413,104

Included in cash and cash equivalents is SR 34.64 million (December 31, 2010: SR 33.51 million) associated with the portfolio transfer process which is currently held in the name of a related party on behalf of the Company.

7. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2011	2010
	SR	SR
Premiums receivable	49,280,584	45,216,048
Receivables from insurance and reinsurance companies	7,991,579	6,080,675
Premiums receivable from related parties (note 23)	54,377,041	23,994,046
Reinsurance receivable from related parties	-	2,262,514
	111,649,204	77,553,283
Less: allowance for doubtful debts	(20,285,948)	(11,724,227)
	91,363,256	65,829,056

Allowance for doubtful debts includes SR 7,240,171 (December 31, 2010: SR 1,559,947) against receivables from related parties.

The aging analysis of premiums and insurance balances receivable as at December 31, 2011 is set out below:

		Past due but not impaired		
Amounts in SR	Neither past due nor impaired	91 to 180 days	More than 180 days	Total
Premiums receivable	19,779,453	11,484,977	18,016,154	49,280,584
Receivables from insurance and reinsurance companies	629,967	1,405,507	5,956,105	7,991,579
Premiums receivable from related parties	25,043,243	17,033,258	12,300,540	54,377,041
	45,452,663	29,923,742	36,272,799	111,649,204

7. PREMIUMS AND INSURANCE BALANCES RECEIVABLE (Continued)

Premiums and insurance balances receivable comprise a large number of customers, related parties mainly within the Kingdom of Saudi Arabia as well as reinsurance companies. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. No individual, company or broker accounts for more than 33% of the premiums receivable as at December 31, 2011 (December 31, 2010: 23%). In addition, the five largest customers/brokers account for 46% of the premiums receivable as at December 31, 2011 (December 31, 2010: 38%).

Unimpaired Premiums and insurance balances 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 receivables and the vast majority are, therefore, unsecured.

8. MOVEMENT IN UNEARNED PREMIUMS

	2011	2010
	SR	SR
Gross unearned premiums acquired (note 5)	-	88,357,838
Unexpired risk reserve acquired (note 5)	-	432,000
Gross unearned premiums- opening balance	72,975,000	-
Gross unearned premiums- closing balance	(90,251,887)	(72,975,000)
Movement in unearned premiums, gross	(17,276,887)	15,814,838
Reinsurers› share of unearned premiums acquired (note 5)	-	(27,863,116)
Reinsurers› share of unearned premiums - opening balance	(26,357,000)	-
Reinsurers› share of unearned premiums - closing balance	36,425,889	26,357,000
Movement in reinsurers' share of unearned premiums	10,068,889	(1,506,116)
Movement in unearned premiums, net	(7,207,998)	14,308,722

9. CLAIMS

	2011		
	Gross	Reinsurers› share	Net
	SR	SR	SR
Claims paid	117,218,449	(46,446,833)	70,771,616
Claims provided during the year	119,266,419	(74,200,628)	45,065,791
IBNR provided during the year	31,910,000	(16,173,000)	15,737,000
	268,394,868	(136,820,461)	131,574,407
Less: Opening balance:			
Outstanding claims	68,382,583	(27,586,628)	40,795,955
IBNR	29,318,000	(11,567,000)	17,751,000
	97,700,583	(39,153,628)	58,546,955
Incurred during the year	170,694,285	(97,666,833)	73,027,452
As at December 31			
Outstanding claims	119,266,419	(74,200,628)	45,065,791
IBNR	31,910,000	(16,173,000)	15,737,000
	151,176,419	(90,373,628)	60,802,791
Less: Opening balance:			
Outstanding claims	68,382,583	(27,586,628)	40,795,955
IBNR	29,318,000	(11,567,000)	17,751,000
	97,700,583	(39,153,628)	58,546,955
Changes in outstanding claims	53,475,836	(51,220,000)	2,255,836

9. CLAIMS (Continued)

	2010		
	Gross	Reinsurers› share	Net
	SR	SR	SR
Claims paid	242,139,259	(81,640,420)	160,498,839
Claims provided during the period	68,382,583	(27,586,628)	40,795,955
IBNR provided during the period	29,318,000	(11,567,000)	17,751,000
	339,839,842	(120,794,048)	219,045,794
Less: Acquisition during the period:			
Outstanding claims (note 5)	66,723,605	(23,651,932)	43,071,673
IBNR (note 5)	14,469,000	(5,488,000)	8,981,000
	81,192,605	(29,139,932)	52,052,673
Incurred during the period	258,647,237	(91,654,116)	166,993,121
As at December 31			
Outstanding claims	68,382,583	(27,586,628)	40,795,955
IBNR	29,318,000	(11,567,000)	17,751,000
	97,700,583	(39,153,628)	58,546,955
Less: Acquisition during the period:			
Outstanding claims (note 5)	66,723,605	(23,651,932)	43,071,673
IBNR (note 5)	14,469,000	(5,488,000)	8,981,000
	81,192,605	(29,139,932)	52,052,673
Changes in outstanding claims	16,507,978	(10,013,696)	6,494,282

10. DEFERRED POLICY ACQUISITION COSTS

	2011	2010
	SR	SR
At January 1	6,373,620	-
Deferred policy acquisition cost acquired (note 5)	-	7,634,001
Cost incurred during the year/period	16,014,560	28,446,135
Charge for the year/period	(16,390,471)	(29,706,516)
December 31	5,997,709	6,373,620

11. PREPAYMENTS AND OTHER ASSETS

	2011		2010	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Prepaid rent	104,028	-	236,763	-
Employees' housing advances	423,337	-	921,308	-
Other prepaid expenses	354,902	-	223,321	-
Other assets	886,242	69,398	153,149	140,945
	1,768,509	69,398	1,534,541	140,945

12. PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment	Motor vehicles	Total
	SR	SR	SR
Cost:			
Acquired (note 5)	6,350,913	2,316,420	8,667,333
Additions	1,315,305	541,650	1,856,955
Disposals	(726,002)	(1,914,920)	(2,640,922)
December 31, 2010	6,940,216	943,150	7,883,366
Additions	374,162	-	374,162
Disposals	-	(558,700)	(558,700)
December 31, 2011	7,314,378	384,450	7,698,828
Depreciation:			
Acquired (note 5)	3,509,240	2,029,574	5,538,814
Charged during the period	2,958,569	474,923	3,433,492
Disposals	(726,002)	(1,914,920)	(2,640,922)
December 31, 2010	5,741,807	589,577	6,331,384
Charged for the year	665,755	180,551	846,306
Disposals	-	(465,831)	(465,831)
December 31, 2011	6,407,562	304,297	6,711,859
Net book value:			
December 31, 2011	906,816	80,153	986,969
December 31, 2010	1,198,409	353,573	1,551,982

13. INVESTMENT

This includes SR 1,923,079 in respect of Company's share in the capital of the Najm for Insurance Services.

14. STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid-up capital which is maintained in accordance with the Law on Supervision of Cooperative Insurance Companies in the Kingdom of Saudi Arabia. SAMA is entitled to the earnings of this statutory deposit and it cannot be withdrawn without its consent.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011		2010	
	Insurance operations	Shareholders' operations	Insurance operations	Shareholders' operations
	SR	SR	SR	SR
Accrued salaries and benefits	2,725,062	600,000	2,509,557	-
Accrued supervision fees	434,390	-	467,975	-
Board of Directors' remuneration	-	500,000	-	500,000
Provision for zakat and income tax (note 22)	-	3,574,058	-	3,266,425
Withholding tax payable	3,501,016	-	1,566,021	-
Accrued IT related services	2,378,496	-	500,891	-
Accrued legal and professional fees	1,872,169	-	925,840	-
Outsourced service charges payable (note 23)	7,768,827	-	5,645,748	-
Other accrued expenses	5,222,870	400,148	3,460,420	142,364
	23,902,830	5,074,206	15,076,452	3,908,789

16. END-OF-SERVICE INDEMNITIES

	2011 SR	2010 SR
At January 1	7,598,041	-
End-of-service indemnities acquired (note 5)	-	7,283,137
Charged during the year/period (note 18)	2,013,942	3,544,739
Transfer from a related party	89,748	-
Paid during the year/period	(2,888,664)	(3,229,835)
December 31	6,813,067	7,598,041

17. UNEARNED REINSURANCE COMMISSION INCOME

	2011 SR	2010 SR
At January 1	3,049,002	-
Unearned reinsurance commission income acquired (note 5)	-	5,379,742
Reinsurance commission received during the year/period	20,820,688	29,053,245
Reinsurance commission earned during the year/period	(19,325,547)	(31,383,985)
December 31	4,544,143	3,049,002

18. OPERATING AND ADMINISTRATIVE SALARIES – INSURANCE OPERATIONS

	Year ended December 31, 2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
Salaries and benefits	29,287,985	53,477,412
End-of-service indemnities (note 16)	2,013,942	3,544,739
	31,301,927	57,022,151

19. OTHER GENERAL AND ADMINISTRATIVE EXPENSES – INSURANCE OPERATIONS

	Year ended December 31, 2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
Outsourced service charges (note 23)	6,976,843	9,911,587
Rent (note 31)	1,487,249	2,827,562
Doubtful debts	8,561,721	4,758,021
Depreciation	846,306	3,433,492
Professional fees	3,034,109	4,004,338
Business travel and transport	2,286,503	3,725,548
IT related services	1,389,882	4,959,335
Utilities	995,171	2,095,010
Stationery	218,542	463,349
Fees and subscriptions	27,925	117,100
Promotion and advertising	1,199,993	774,659
Others	801,691	2,606,138
	27,825,935	39,676,139

20. GENERAL AND ADMINISTRATIVE EXPENSES – SHAREHOLDERS' OPERATIONS

	Year ended December 31, 2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
Salaries and benefits	600,000	469,384
Remuneration of Board of Directors (note 23)	500,000	500,000
Legal and professional fees	900,011	175,000
Others	432,816	112,873
	2,432,827	1,257,257

21. INCORPORATION AND FLOATATION EXPENSES

	2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
Initial public offering expenses	-	3,466,387
Bank charges and guarantee fees	-	2,694,022
Consulting and professional fees	-	16,205,910
Registration and licensing fees	-	2,445,649
	-	24,811,968

22. ZAKAT AND INCOME TAX

a) Zakat base

The principal elements of zakat are as following:

	2011 SR	2010 SR
Non-current assets	20,986,969	21,551,982
Opening shareholders‘ equity/share capital introduced	157,535,060	200,000,000
Available for sale investment	2,473,079	2,423,079
Net loss for the year/period before zakat and income tax	(18,007,701)	(39,198,515)

Some of these amounts have been adjusted in arriving at the zakat charge for the year/period.

b) Movement in the provision for zakat and income tax during the year/period

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

Zakat:	2011 SR	2010 SR
Opening balance	3,266,425	-
Provision for the year/period	3,211,797	3,266,425
Paid during the year/period	(2,904,164)	-
December 31	3,574,058	3,266,425

22. ZAKAT AND INCOME TAX (Continued)

Income tax:

The Company incurred losses for the year/period; therefore, no income tax is due from the foreign shareholder.

The charge for the year/period for zakat and income tax is as follows:

	2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
Zakat	3,211,797	3,266,425
Income tax	-	-
Charged to statement of shareholders' comprehensive income	3,211,797	3,266,425

23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The following are the details of major transactions with related parties during the year/period:

Related parties	Nature of transactions	2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
Shareholders/affiliates	Gross written premiums	90,162,780	120,929,569
	Gross claims paid and other expenses	59,502,432	49,491,538
	Reinsurance premiums ceded	37,003,344	21,118,230
	Reinsurers' share of gross claims paid	13,718,714	22,177,260
	Reinsurance commission income	11,377,881	6,448,598
	Outsourced service charges	6,976,843	9,911,587
	Brand fee	30,100	30,100
Board of Directors	Remuneration and meeting fee	500,000	500,000

23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Related parties	Nature of transactions	December 31, 2011 SR	December 31, 2010 SR
Shareholders/affiliates	Gross written premiums	54,377,041	23,994,046
	Gross claims paid and other expenses	(58,161,335)	(14,989,753)
	Reinsurers' share of gross outstanding claims	26,126,683	2,262,514
	Outsourced service charges	(7,768,827)	(5,645,748)
	Brand fee	(60,200)	(30,100)
Board of Directors	Remuneration and meeting fee	(500,000)	(500,000)

Compensation of key management personnel

The remuneration of key management personnel during the year/period were as follows:

	2011 SR	For the period from inception (November 15, 2009) to December 31, 2010 SR
Salaries and benefits	6,064,035	7,816,470
End-of-service indemnities	156,766	466,649
	6,220,801	8,283,119

24. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million consisting of 20 million shares of SR 10 each.

25. LOSS PER SHARE

Loss per share for the year/period has been calculated by dividing the net loss for the year/period before zakat and income tax by the weighted average number of ordinary shares outstanding during the year/period.

26. 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 the 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 incurred losses during the year/period.

27. GEOGRAPHICAL DISTRIBUTION

All the assets and liabilities of the Company are located in the Kingdom of Saudi Arabia.

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets and liabilities include cash and cash equivalents, 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 investment which are carried at cost.

29. CONTINGENCIES AND COMMITMENTS

Goodwill

The Company entered into a purchase agreement whereby it has purchased the insurance business operations in the Kingdom of Saudi Arabia of Royal & Sun Alliance Insurance (Middle East) Limited E.C – Saudi Arabian Operations and Al Alamiya for Commerce and Services Limited. The purchase price was based on a valuation study conducted in accordance with the due diligence and valuation guidelines issued by SAMA. In accordance with the SAMA letter of November 10, 2008 ("the Letter"), the value of combined goodwill was estimated at SR 64.14 million. The amount will be paid in accordance with SAMA's instructions therein which include, among other matters, the following conditions:

- The Company shall maintain solvency ratios and minimum capital requirements as per the guidelines prescribed by SAMA in this respect;
- No payment of goodwill will be made in the year when the Company reports a loss and the goodwill shall not paid out of any retained earnings from earlier years;
- The payment is restricted to 50% of the profit earned in the current year; and
- Limitation will be placed by SAMA on the period during which payments can be made.

In view of the current year losses and the requirements set by SAMA in this respect as illustrated above, and the fact that the Company is not in a position to make the initial payment of goodwill, the goodwill has not been recorded as a liability and hence was reflected as a contingent liability in the reissued financial statements pending compliance with SAMA requirements in this respect and their approval for payment.

Legal proceedings

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

30. 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 as stated below.

Segment results do not include operating and administrative salaries, other general and administrative expenses, special commission income and other income, net.

Segment assets do not include cash and cash equivalents, investment, premiums and insurance balances receivable, prepayments and other assets, due from related parties, due from shareholders operations, and property and equipment.

Segment liabilities do not include accounts payable, reinsurance balances payable, accrued expenses and other liabilities, due to policyholders' operations and end-of-service indemnities.

30. SEGMENTAL INFORMATION (Continued)

Operating Segments

For the year ended December 31, 2011	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	45,167,548	84,054,710	22,899,771	17,505,825	31,660,683	26,641,734	227,930,271
Reinsurance premiums ceded	(40,904,392)	-	(17,161,230)	(7,675,923)	(17,486,425)	(13,336,842)	(96,564,812)
Excess of loss premiums	(1,733,555)	(1,610,681)	(2,260,888)	(303,316)	(3,236,420)	(895,461)	(10,040,321)
Net premiums written	2,529,601	82,444,029	3,477,653	9,526,586	10,937,838	12,409,431	121,325,138
Change in unearned premiums, net	(485,212)	(8,961,919)	2,029,424	(1,843,982)	2,755,742	(702,051)	(7,207,998)
Net premiums earned	2,044,389	73,482,110	5,507,077	7,682,604	13,693,580	11,707,380	114,117,140
Gross claims paid and other expenses	(35,052,649)	(54,447,077)	(7,332,927)	(8,609,914)	(6,680,933)	(5,094,949)	(117,218,449)
Reinsurers' share of gross claims paid	31,994,288	-	4,498,155	4,866,951	1,492,472	3,594,967	46,446,833
Change in outstanding claims, net	(1,688,283)	(743,388)	1,729,982	(39,999)	241,297	(1,755,445)	(2,255,836)
Net claims incurred	(4,746,644)	(55,190,465)	(1,104,790)	(3,782,962)	(4,947,164)	(3,255,427)	(73,027,452)
Policy acquisition costs	(2,354,614)	(8,251,315)	(2,783,683)	(449,118)	(1,505,954)	(1,045,787)	(16,390,471)
Reinsurance commission income	9,097,685	-	3,853,089	-	4,138,084	2,236,689	19,325,547
	4,040,816	10,040,330	5,471,693	3,450,524	11,378,546	9,642,855	44,024,764
Other underwriting expenses	-	-	-	-	-	-	(1,833,389)
Net underwriting result							42,191,375
Operating and administrative salaries							(31,301,927)
Other general and administration expenses							(27,825,935)
Special commission income							96,479
Other income, net							181,668
Insurance operations' deficit							(16,658,340)

As at December 31, 2011	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	15,803,625	-	7,504,369	4,369,956	4,099,729	4,648,210	36,425,889
Deferred policy acquisition costs	518,523	3,831,883	874,168	46,317	493,030	233,788	5,997,709
Reinsurers' share of outstanding claims	54,198,358	3,267,967	14,456,255	3,337,967	8,366,216	6,746,865	90,373,628
Unallocated assets	-	-	-	-	-	-	198,152,340
							330,949,566
Insurance operations' liabilities							
Gross unearned premiums	16,904,831	37,001,630	9,851,901	9,289,907	8,594,914	8,608,704	90,251,887
Gross outstanding claims	58,236,418	40,042,600	21,783,782	5,011,950	13,230,868	12,870,801	151,176,419
Unearned reinsurance commission income	1,987,150	-	1,276,720	-	1,230,820	49,453	4,544,143
Unallocated liabilities	-	-	-	-	-	-	84,977,117
							330,949,566

30. SEGMENTAL INFORMATION (Continued)

Operating Segments

For the period from inception (November 15, 2009) to December 31, 2010	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations							
Gross written premiums	73,676,263	150,694,811	52,876,471	26,804,732	45,456,545	65,535,346	415,044,168
Reinsurance premiums ceded	(68,201,304)	-	(34,444,077)	(10,143,889)	(4,403,909)	(41,786,569)	(158,979,748)
Excess of loss premiums	(1,446,186)	(5,582,601)	(7,866,142)	(987,980)	(4,731,768)	(1,148,510)	(21,763,187)
Net premiums written	4,028,773	145,112,210	10,566,252	15,672,863	36,320,868	22,600,267	234,301,233
Change in unearned premiums, net	232,998	11,085,898	1,688,983	3,394,966	(1,701,982)	(392,141)	14,308,722
Net premiums earned	4,261,771	156,198,108	12,255,235	19,067,829	34,618,886	22,208,126	248,609,955
Gross claims paid and other expenses	(65,809,342)	(119,043,468)	(11,102,889)	(30,448,696)	(10,553,894)	(5,180,970)	(242,139,259)
Reinsurers' share of gross claims paid	58,937,938	79,705	7,187,061	14,788,822	182,190	464,704	81,640,420
Change in outstanding claims, net	(770,693)	(589,839)	(7,788,622)	1,027,989	(207,998)	1,834,881	(6,494,282)
Net claims incurred	(7,642,097)	(119,553,602)	(11,704,450)	(14,631,885)	(10,579,702)	(2,881,385)	(166,993,121)
Policy acquisition costs	(3,064,053)	(14,991,984)	(7,642,171)	(106,750)	(2,123,283)	(1,778,275)	(29,706,516)
Reinsurance commission income	13,991,637	-	11,984,993	-	1,227,276	4,180,079	31,383,985
	7,547,258	21,652,522	4,893,607	4,329,194	23,143,177	21,728,545	83,294,303
Other underwriting expenses	-	-	-	-	-	-	(3,623,605)
Net underwriting result							79,670,698
Operating and administrative salaries							(57,022,151)
Other general and administration expenses							(39,676,139)
Special commission income							292,648
Other income, net							1,344,822
Insurance operations' deficit							(15,390,122)

As at December 31, 2010	Property SR	Motor SR	Engineering SR	Medical SR	Marine SR	Others SR	Total SR
Insurance operations' assets							
Reinsurers' share of unearned premiums	11,309,887		7,638,924	1,327,987	110,999	5,969,203	26,357,000
Deferred policy acquisition costs	794,158	3,627,562	771,880	306,437	360,000	513,583	6,373,620
Reinsurers' share of outstanding claims	15,960,040	813,000	14,231,258	3,552,964	635,994	3,960,372	39,153,628
Unallocated assets	-	-	-	-	-	-	143,100,483
							214,984,731
Insurance operations' liabilities							
Gross unearned premiums	11,925,881	28,039,711	12,015,880	4,403,956	7,361,926	9,227,646	72,975,000
Gross outstanding claims	18,309,817	36,844,245	23,288,767	5,186,948	5,741,943	8,328,863	97,700,583
Unearned reinsurance commission income	2,275,846	-	-	-	25,999	747,157	3,049,002
Unallocated liabilities	-	-	-	-	-	-	41,260,146
							214,984,731

31. OPERATING LEASE ARRANGEMENTS

	For the year ended December 31, 2011		For the period from inception (November 15, 2009) to December 31, 2010	
	Insurance operations	Shareholders operations	Insurance operations	Shareholders operations
	SR	SR	SR	SR
Payments under operating leases recognized as an expense during the year/period	1,487,249	-	2,827,562	-

Operating lease payments represent rentals payable by the Company for the offices. Leases are negotiated for an average term of one year and rental is fixed for the term of the lease.

32. RISK MANAGEMENT

Risk governance

The management ensure risk is managed to reduce losses and ensure opportunities for profitable growth are taken. The Company operates under a framework through which risk management and control is embedded in its various activities.

Board of Directors

The Board is responsible for the Company's risk management system and defining the Company's risk appetite.

Executive management

Executive management is responsible for implementing systems and controls that manage our risk exposures to the risk appetite.

The Risk Committee ensures that material risks are identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.

The Company has '3 lines of defence' for the oversight and management of risks as follows:

1st line – management

Setting strategy, performance measurement, establishment and maintenance of internal control and risk management in the business.

2nd line – risk oversight

- Operating a formal risk management framework within which the Company policies and minimum standards are set;
- Oversight and challenge across the Company

3rd line – independent assurance (Internal Audit)

Providing independent and objective assurance of the effectiveness of the Company's systems of internal control established by the first and second lines of defence. 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 Company's policy statements set out the minimum standards to be maintained by the Company's operations to manage their risks in a way that is consistent with the risk appetite.

32. RISK MANAGEMENT (Continued)

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

Insurance risk management

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk that the Company faces under such contracts is the occurrence of the insured events and the severity of reported claims. The Company's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in a single subset.

Underwriting and retention policies, procedures and limits and clear underwriting authorities precisely regulate who is authorized and accountable for concluding insurance and reinsurance contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local market are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines if required.

The primary risk control measure in respect of the insurance risk is the transfer of risks to third parties via reinsurance. The reinsurance business ceded is placed on a proportional and non-proportional basis with retention limits varying by lines of business. The placements of reinsurance contracts are diversified so that the Company is not dependent on a single reinsurer or a reinsurance contract.

Reinsurance is used to manage insurance risk. Although the Company has reinsurance arrangements, it does not, however, discharge the Company's liability as primary insurer and thus a credit risk exposure remains with respect to reinsurance ceded to the extent that any reinsurer may be unable to meet its obligations under such reinsurance arrangements. The Company minimizes such credit risk by entering into reinsurance arrangements with reinsurers having good credit ratings, which are reviewed on a regular basis. The Company observes the credit standards set by SAMA and follows the international reinsurance counterparty best practices. Reserve risks are controlled by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending the provisions, if deemed necessary. This is done both at the case and portfolio levels.

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.

Property

Property insurance contracts, with the main peril being fire, accidental damage and other allied perils resulting there from, are underwritten either on replacement value or on market value basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, 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.

32. RISK MANAGEMENT (Continued)

Engineering

The engineering business includes long tail 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.

Motor

For motor insurance contracts, the main elements of risk are claims arising out of insured vehicles as well as damage to third parties' properties. Further, the death claims compensation has been made in accordance with the laws as applicable in the Kingdom of Saudi Arabia.

This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

Marine

In marine insurance, the main risk elements are loss or damage to insured cargo due to various mishaps resulting in total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

A reinsurance arrangement has been made with reinsurers through proportional treaties as well as non-proportional treaties.

Medical

Medical insurance is compulsory in Saudi Arabia and the coverage and limits are as prescribed by Council of Cooperative Health Insurance ("CCHI"). Selection of the groups covered, proper pricing and effective claims management are the core areas for profitable underwriting of this line of business. Medical insurance is covered by a separate proportional reinsurance treaty.

Others

Other classes include casualty which provides coverage against the loss of money, personal accident, workmen's compensation, travel public liability, employee dishonesty, comprehensive personal insurance. The extent of loss or damage is the main factor that influences the level of claims.

Concentration of insurance risk

The Company, with the introduction of any one risk definition and strictly following it in the underwriting process, eliminates concentration of risks. Elimination of location limit under the marine proportional treaty and having a third excess of losses "XOL" layer to protect accumulation on the net retention amply to take care of concentration. On the casualty side, concentration of risk is very minimal and XOL treaty takes care of it amply. The Company does not have any material fully documented claims where the amount and timing of payment is not resolved within one year of the reporting date.

Regulatory risk (Non-compliance risk)

Regulatory Risk is the risk for the company for not meeting the legal and regulatory requirements in the Kingdom of Saudi Arabia.

The regulatory compliance framework is aligned with the Company's business principles and commitments and sets out the Company's standards and practices to comply with all regulatory requirements. It is our priority that we are adequately capitalised, our operations are prudently managed and lawfully and ethically conducted.

32. RISK MANAGEMENT (Continued)

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 reissued 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, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company investment portfolio is managed by the investment committee 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.

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

	2011		2010	
	Insurance operations	Shareholders operations	Insurance operations	Shareholders operations
	SR	SR	SR	SR
Cash and cash equivalents	44,007,199	24,455,671	39,269,809	27,413,104
Time deposits	-	118,205,017	-	130,007,078
Investment	2,473,079	-	2,423,079	-
Premiums and insurance balances receivable	111,649,204	-	77,553,283	-
Reinsurers' share of outstanding claims	90,373,628	-	39,153,628	-
Due from related parties	25,504,866	-	16,374,738	-
Other assets	423,337	69,398	-	140,945
	274,431,313	142,730,086	174,774,537	157,561,127

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in time deposits with local banks.

32. RISK MANAGEMENT (Continued)

Maturity profiles

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

	2011		
	Up to one year	More than one year	Total
	SR	SR	SR
INSURANCE OPERATIONS› FINANCIAL ASSETS			
Cash and cash equivalents	44,007,199	-	44,007,199
Investment	-	2,473,079	2,473,079
Premiums and Insurance balances receivable	111,649,204	-	111,649,204
Reinsurance share in outstanding claims	90,373,628	-	90,373,628
Due from related parties	25,504,866	-	25,504,866
Other assets	423,337	-	423,337
	271,958,234	2,473,079	274,431,313
SHAREHOLDERS' FINANCIAL ASSETS			
Cash and cash equivalents	24,455,671	-	24,455,671
Time deposits	118,205,017	-	118,205,017
Other assets	69,398	-	69,398
	142,730,086	-	142,730,086
TOTAL FINANCIAL ASSETS	414,688,320	2,473,079	417,161,399

32. RISK MANAGEMNT (Continued)

	2010		
	Up to one year	More than one year	Total
	SR	SR	SR
INSURANCE OPERATIONS› FINANCIAL ASSETS			
Cash and cash equivalents	39,269,809	-	39,269,809
Investment	-	2,423,079	2,423,079
Premiums and Insurance balances receivable	77,553,283	-	77,553,283
Reinsurance share in outstanding claims	39,153,628	-	39,153,628
Due from related parties	16,374,738	-	16,374,738
	172,351,458	2,423,079	174,774,537
SHAREHOLDERS' FINANCIAL ASSETS			
Cash and cash equivalents	27,413,104	-	27,413,104
Time deposits	130,007,078	-	130,007,078
Other assets	140,945	-	140,945
	157,561,127	-	157,561,127
TOTAL FINANCIAL ASSETS	329,912,585	2,423,079	332,335,664

	2011		
	Up to one year	More than one year	Total
	SR	SR	SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	11,035,157	-	11,035,157
Reinsurance balances payable	31,839,236	-	31,839,236
Accrued expenses and other liabilities	19,817,424	-	19,817,424
Gross outstanding claims	151,176,419	-	151,176,419
	213,868,236	-	213,868,236
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	1,500,148	-	1,500,148
	1,500,148	-	1,500,148
TOTAL FINANCIAL LIABILITIES	215,368,384	-	215,368,384

32. RISK MANAGEMENT (Continued)

	2010		
	Up to one year	More than one year	Total
	SR	SR	SR
INSURANCE OPERATIONS' FINANCIAL LIABILITIES			
Accounts payable	8,920,031	-	8,920,031
Reinsurance balances payable	9,665,622	-	9,665,622
Accrued expenses and other liabilities	12,942,456	-	12,942,456
Gross outstanding claims	97,700,583	-	97,700,583
	129,228,692	-	129,228,692
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	530,100	-	530,100
	530,100	-	530,100
TOTAL FINANCIAL LIABILITIES	129,758,792	-	129,758,792

Liquidity profile

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

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's assets and liabilities are denominated only in Saudi Riyal and principal transactions are mainly carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations.

Commission rate risk

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

The Company is exposed to commission rate risk on certain of its time deposits. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its investments are denominated.

The following table demonstrates the sensitivity of statement of shareholders' comprehensive income to reasonably possible changes in commission rates, with all other variables held constant.

The sensitivity of the statement of shareholders' comprehensive income is the effect of the assumed changes in commission rates on the Company's income for the year/period, based on the floating rate financial assets and financial liabilities held as at December 31:

32. RISK MANAGEMENT (Continued)

	Change	Effect on comprehensive income for the year/ period
	in basis points	SR
2011	+10	785
2011	-10	(785)
2010	+10	911
2010	-10	(911)

Market price risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from 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 reissued statement of shareholders' comprehensive income will be impacted.

Capital management

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

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

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial year/period.

33. APPROVAL OF THE REISSUED FINANCIAL STATEMENTS

The reissued financial statements have been approved by the Board of Directors on April 11, 2012 corresponding to 19 Jumada I, 1433H. Subsequently, on April 17, 2012 corresponding to 25 Jumada I, 1433, the shareholders approved the portfolio transfer at their General Assembly Meeting.

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