المتحدة للتأمين التعاوني
UCA UNITED COOPERATIVE ASSURANCE

Rights Issue Prospectus

"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".

United Cooperative Assurance

United Cooperative Assurance is a Saudi Public joint stock Company established in accordance with the decision of the Council of Ministers Number (94) dated 14/03/1428 H. corresponding to 01/04/2007 G. and pursuant to the Royal Decree Number (24) dated 15/03/1428 H. corresponding to 02/04/2007 G. under the commercial registration Number 4030179955.

First Offering Period: from Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.)
Second Offering Period: from Sunday 17/05/1436 H. (corresponding to 08/03/2015 G.) until Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.)

United Cooperative Assurance Company (hereinafter referred to as the "Company" or "UCA") is a Saudi public joint stock Company registered in Saudi Arabia under the Commercial Registration Number 4030179955 in accordance with the decision of the Council of Ministers Number (94) dated 14/03/1428 H. (corresponding to 01/04/2007 G.) and pursuant to the Royal Decree Number (M/24) dated 15/03/1428 H. (corresponding to 02/04/2007 G.). The share capital of the Company is SAR 280.000.000 (two hundred and eighty million Saudi Riyal) consisting of 28.000.000 (twenty eight million) shares with a nominal value of SAR 10 (ten Saudi Riyal) each (hereinafter referred to as the "Existing Shares"), all of which are fully paid.
The Company has obtained the approval of the Saudi Arabian Monetary Agency's ("SAMA") (by letter Number 351000126033 dated 09/10/1435 H. corresponding to 05/08/2014 G.) to increase its capital by SAR 210.000.000 (two hundred and ten million Saudi Riyal) through a rights' issue. Upon completion of the subscription in the shares, the Company's share capital will increase to SAR 490.000.000 (four hundred and ninety million Saudi Riyal) consisting of 49.000.000 (forty nine million) shares with a nominal value of SAR 10 (ten Saudi Riyal) each.
The Board of Directors has issued a recommendation in its meeting dated 24/09/1435 H. (corresponding to 21/07/2014 G.) to increase the capital of the Company. At the Company's Extraordinary General Meeting held on 29/04/1436 H. (corresponding to 18/02/2015 G).
the shareholders approved the increase of the Company's share capital.

United Cooperative Assurance Bahrain (an exempted Bahraini closed joint stock Company) (hereinafter referred to as "UCA Bahrain") owns 9.100.000 shares in UCA, representing 32.5% of the Company's capital. There isn't any other shareholder holding more than 5% of the Company's share capital.

This Offering ("the Offering") consists of the issuance of 21.000.000 new shares (hereinafter referred to as the "New Shares") at a nominal value of SAR 10 (ten Saudi Riyal) per share and at an Offering price of SAR 10 (ten Saudi Riyal) for each share (the "Offer Price") to the registered shareholders (hereinafter referred to each as "Qualifying Shareholder" and jointly as "Qualifying shareholders"), as of the close of trading at the date of the Extraordinary General Assembly Meeting which will decide on the increase ("Eligibility Date") of the Company's share capital from 28.000.000 to 49.000.000 shares.

The Offering will consist of tradable securities (referred to collectively as the "Rights" and each as a "Right") to Qualifying Shareholders registered in the Company shareholders' register as of the close of trading at the date of the Extraordinary General Assembly Meeting held on 29/04/1436 H. (corresponding to 18/02/2015 G . (the "Eligibility Date"), referred to collectively as "Registered Shareholders", provided that such Rights are deposited in the Registered Shareholders' accounts within two (2) days of the Eligibility Date in the ratio of 0.75 rights for every 1 share. Each Right grants its holder the eligibility to subscribe in one New Share at the Offer Price.

Registered Shareholders and other investors whether entities or individuals may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.)

The subscription into the New Shares will be in two phases:

(a) First Offering Period: From Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until the end of the dayThursday 14/05/1436 H. (corresponding to 05/03/2015 G.) (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 Extraordinary General Assembly Meeting. The First Offering Period coincides with the Trading Period during which Registered Shareholders and other investors whether entities or individuals may trade in the Rights.

(b) Second Offering Period From Sunday 17/05/1436 H. (corresponding to 08/03/2015 G.) to Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.) during which all Eligible Persons, 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 any Shares remain unsubscribed ("Rumps shares") for after the First and the Second Offering Periods, they will be offered to a number of Institutional Investors (hereinafter 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 10:00am on Sunday 24/05/1436 H. (corresponding to 15/03/2015 G.) until the following day at 10:00am on 25/05/1436 H. (corresponding to 16/03/2015 G.). This Offering will be referred to as ("the Rump offer"). The Rump Shares will be allocated to Institutional Investors in order of the price 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. 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 no later than Thursday 06/06/1436 H. (corresponding to 26/03/2015 G.)

In the event that the Rump Shares are not purchased after the Rump Offering, such shares will be allocated to the Underwriter, who will purchase the same at the Offer price (please see section13 – "Subscription Terms and Conditions"). After the completion of the Offering, the Company's share capital will become SAR 490,000,000 (Four Hundred and Ninety Million Saudi Riyals) and the number of the Company's shares will be 49,000,000 (Forty nine Million) shares. The net proceeds of the Offering will be utilized to meet the Company's financial solvency requirements and to finance insurance operations expansion plans (Please see section 8 – "Use of Proceeds"). The final allocation will be announced no later than Wednesday 27/05/1436 H. (corresponding to 18/03/2015 G.) (Please see section 13 "Subscription Terms and Conditions").

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 identically 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 general assembly meetings. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any (Please see section 7 "Shares Description"). The Company's existing Shares are currently traded on Tadawul. The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia ("CMA" or the "Authority") for the admission of the New Shares to the Official List ("Tadawul"). Approval of this Prospectus has been granted and all supporting documents requested by the CMA have been completed. All requirements have been met and official approvals granted to carry out the Offering (please see section 7-13 "decisions and approvals according to which shares are being offered").
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"). The "Important Notice" and "Risk Factors" sections of this Prospectus should be read in whole and carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby. Following the commencement of trading in the Shares, Saudi nationals and residents, GCC nationals, Saudi companies, banks and funds, GCC companies and establishments, foreigners investors from outside the Kingdom - through swap agreements and licensed persons - will be allowed to trade in the Shares.

Financial Advisor

BMG FINANCIAL GROUP

Lead Manager and Underwriter

الاستثمار كابيتال ALISTITHMAR CAPITAL

Receiving Agents

samba سامبا

NCB الأهلي

riyad bank بنك الرياض

البنك السعودي للاستثمار The Saudi Investment Bank

The Company's shares were initially offered for subscription on 30/02/1429 H. corresponding to 08/03/2008 G. whereby the founding shareholders have subscribed in 60% of the share capital, and the remaining 40% was offered for public subscription. The Company has also increased its share capital from SAR 200.000.000 to SAR 280.000.000, through granting two free shares for every five shares, upon the approval of the Extraordinary General Assembly Meeting dated on 17/08/1434 H. corresponding to 26/06/2013 G.
This Prospectus includes information given in compliance with the Listing Rules issued by the CMA in the Kingdom of Saudi Arabia. The Directors, whose names appear in page - g - of this Prospectus, jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that 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 Tadawul take no responsibility for the contents of this Prospectus, 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 Prospectus is dated 29/04/1436 H. (corresponding to 18/02/2015 G.)

المتحدة للتأمين التعاوني

UNITED COOPERATIVE ASSURANCE

Important Notice

This Prospectus provides details of information related to United Cooperative Assurance Company (hereinafter referred to as the "Company") and the offered New Shares. When applying for the New Shares, Eligible Persons 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 underwriter or the Receiving Agents or by visiting the Saudi Arabian Capital Market Authority's website: (www.cma.org.sa).

The Company has appointed BMG Financial Group ("BMG") to act as the Financial Advisor, and the Alistithmar Capital Company to act as Lead Manager and sole underwriter in respect of the Offer shares referred to herein.

This Prospectus includes information given in compliance with the Listing Rules (the "Listing Rules") of the CMA. The directors, whose names appear in page - g - of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. The Authority and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation 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 Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while none of the Company, its Financial Advisor, or the Company's advisors, whose names appear in pages i/j/k of this Prospectus, 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 the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economic and political factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offering is intended to be, nor 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 the Company or any of its founding shareholders or advisors thereof 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 situation 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 must rely on their own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The Offering is limited to eligible Registered Shareholders at the close of trading on the day of the Extraordinary General Assembly Meeting dated 29/04/1436 H. (corresponding to 18/02/2015 G.) provided that the subscription in the New Shares shall be carried out through two phases:

(a) First Offering Period: From Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until the end of the dayThursday 14/05/1436 H. (corresponding to 05/03/2015 G.) (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 Extraordinary General Assembly Meeting. The First Offering Period coincides with the Trading Period during which Registered Shareholders and other eligible investors whether entities or individuals may trade in the Rights.

(b) Second Offering Period From Sunday 17/05/1436 H. (corresponding to 08/03/2015 G.) until Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.) during which all Eligible Persons, 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 any Shares remain unsubscribed ("Rumps shares") for after the First and the Second Offering Periods, they will be offered to a number of Institutional Investors (hereinafter 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 10:00am on Sunday 24/05/1436 H. (corresponding to 15/03/2015 G.) until the following day at 10:00 on 25/05/1436 H. (corresponding to 16/03/2015 G.). This Offering will be referred to as ("the Rump offer"). The Rump Shares will be allocated to Institutional Investors in order of the price 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. 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 no later than Thursday 06/06/1436 H. (corresponding to 26/03/2015 G.).

In the event that the Rump Shares are not purchased after the Rump Offering, such shares will be allocated to the Underwriter, who will purchase the same at the Offer price (please see section13 – "Subscription Terms and Conditions"). After the completion of the

Offering, the Company's share capital will become SAR 490,000,000 (Four Hundred and Ninety Million Saudi Riyals) and the number of the Company's shares will be 49,000,000 (Forty nine Million) shares. The net proceeds of the Offering will be utilized to meet the Company's financial solvency requirements and to finance insurance operations expansion plans (Please see section 8 – "Use of Proceeds"). The final allocation will be announced no later than Wednesday 27/05/1436 H. (corresponding to 18/03/2015 G.) (Please see section 13 "Subscription Terms and Conditions").

The Offering in accordance with this Prospectus is based on the approval of the shareholders General Assembly Meeting. The Extraordinary General Assembly Meeting has been convened to meet in order to approve the offering on the date 29/04/1436 H. (corresponding to 18/02/2015 G.). The investors shall note that in the event that shareholders do not approve the Offering of these rights, the issuance of such rights will no longer take place and this Prospectus will be considered as null and shareholders will be notified.

Industry and Market Data

In this Prospectus, information and data figures regarding insurance industry and others related to the market where the Company is being involved, have been obtained from different sources among which: (1) the Company's estimates and expectations, (2) data and analysis related to the insurance industry obtained from third parties sources available to the public (The Company has made all reasonable inquiries as to the accuracy of the information contained in this Prospectus at its issue date). While neither the BMG Financial Group nor the Company's advisors whose names appear in page i/j/k of this Prospectus, have a 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. Since such sources are made available to the public, the approval of the information providers has not been obtained to include their names in this Prospectus and (3) Reports and data published by the following authorities:

1) Saudi Arabian Monetary Agency (SAMA):

SAMA was established in 1952 G. and has the main following functions:

مؤسسة النقد العربي السعودي
Saudi Arabian Monetary Agency

- Issuing the national currency.
- Acting as a banker to the government.
- Supervising commercial banks.
- Managing the Kingdom's foreign currency reserves.
- Conducting monetary policy to promote price and exchange rate stability.
- Promoting growth and ensuring the soundness of the financial system.

P.O. Box No: 2992 Riyadh 11169
Kingdom of Saudi Arabia
Tel: +996 11 4633000 Fax: +966 11 4662966
www.sama.gov.sa

2) Saudi Ministry of Economy and Planning (MEP):

MEP was established in 1390 H. (1970 G.). Its key functions include the allocation and use of available resources for development and infrastructure purposes, the supervision of the Saudi economy development import and export and the Setting up of major development plans as to comply with the vision of Saudi decision makers.

Below are the MEP key functions:

- Submit a periodic economic report on the Kingdom.
- Develop the Kingdom's five year development plan.
- Estimate the total amount necessary for the implementation of development plans.
- Carry out economic studies entrusted with by various governmental institutions.
- Collect, analyze and publish statistical data and information related to various social, economic and demographic fields.
- Assist other governmental institutions in matters related to planning and statistics.
- Provide technical advice as per the directives and request of the Custodian of the Two Holy Mosques and supervise the process of population and houses census in the kingdom.
- Collect, analyze, classify and use statistical data from other governmental institutions in preparing various statistical Prospectuses.

وزارة الاقتصاد والتخطيط
المملكة العربية السعودية

Kingdom of Saudi Arabia - Riyadh
Tel: +966 1 4011444 Fax: +966 1 4052051
ministry@planning.gov.sa

3) Swiss Reinsurance Company (Swiss Re).

An international pioneer Company in re-insurance founded in 1863 in Zurich, Switzerland with operations in more than 25 countries around the world. The Company issues reports on insurance sector all over the world and these reports are available for the public in its website.

Swiss Re

P.O. Box 8022
Zurich
Switzerland
Tel: +41 43 2852121 Fax: +41 43 2852999
www.swissre.com

Financial Information

The audited financial statements of the Company for the financial period starting from 31 December 2011 G. to 31 December 2013 G., as well as the unaudited semiannual statements for 2014 G. and the notes thereto included in this Prospectus, have been prepared in conformity with the international financial reporting standards ("IFRS").
The Company confirms that are no significant differences or financial impact on the financial statements due to the preparation thereof in accordance with international standards.

Audit of the previous financial statements has been conducted by Deloitte & Touche Bakr Abu Al-Khair & Co. and by Al-Bassam Certified Accountants & Consultants. As for the 2014 financial statements audit, it will be conducted by Deloitte & Touche Bakr Abu Al-Khair & Co. and by Al-Bassam Certified Accountants & Consultants.

The Company will publish its financial statements in Saudi Arabian Riyals ("SAR").

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain defined and stated assumptions. Future operating conditions may significantly 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", "may", "will", "should", or "are expected", "would be", "anticipates" 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 (please 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.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission to the Official List, the Company 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. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Company's Address

United Cooperative Assurance Company
Khaldiyah District- Rawda Street
P.O. Box No: 5019, 21422 Jeddah
Kingdom of Saudi Arabia
Tel: +966 126068633
Fax: +966 126068622
Website: www.uca.com.sa
E-mail: info@uca.com.sa

Members of the Board of Directors

	Name	Nationality	Date of birth	Position	Shareholding	Status	Date of designation[1]	Representation
1	Hassan Mohammed Shawkat Mahassni	Saudi	10/10/1934	Chairman	280,000	Non-executive	01/07/1435 H. corresponding to 30/04/2014 G.	
2	Salman Salem Mohamed Bin Laden	Saudi	19/09/1977	Vice Chairman	141,540	Independent	01/07/1435 H. corresponding to 30/04/2014 G.	
3	Badr Abdurrahman Al Sayari	Saudi	26/10/1965	Member	1,000	Independent	01/07/1435 H. corresponding to 30/04/2014 G.	
4	Khalid Hossein Ali Reza	Saudi	08/04/1968	Member	34,000	Independent	01/07/1435 H. corresponding to 30/04/2014 G.	
5	Sami Sadaka Sendi	Saudi	06/03/1954	Member	2,100	Independent	01/07/1435 H. corresponding to 30/04/2014 G.	
6	Tarik Hashim Al Nabulsi	Saudi	09/12/1961	Member	1,000	Independent	01/07/1435 H. corresponding to 30/04/2014 G.	
7	Machaal Afif Karam	Lebanese	01/07/1955	Chief Executive Officer	-	Executive	01/07/1435 H. corresponding to 30/04/2014 G.	Represents UCA (Bahraini Closed Joint Stock Company)
	Total Number of shares				459,640			

Source: the Company

Note: According to article 38(1) of the Regulations of the Cooperative Insurance Companies Control Law, none of the members of the board of directors owns more than 5% of the Company's shares.
Note: Shares owned by the members of the board of directors (1,000 shares) represent qualification shares for the board membership according to article 68 of the Companies' Laws.
Note: Mr. Khaled Hossein Ali Reza and Tarik Hashim Nabulsi were appointed as new directors at the board in the general meeting of shareholders held on 01/07/1435H, corresponding to 30/04/2014G. A New commercial register for the Company has been extracted, including the names of the new directors, knowing that the Company has obtained from SAMA all necessary approvals for appointing the new directors.

Company's Authorized Representatives

Hassan Mohammed Shawkat Mahassni

Chairman of the Board of Directors

Al Mukmal Tower - Rawda Street

P.O. Box 5019 - Jeddah 21422

Kingdom of Saudi Arabia

Tel: +966 126068633

Fax: +966 126068622

E-mail address: chairman@uca.com.sa

Machaal Afif Karam

Chief Executive Officer

Al Mukmal Tower - Rawda Street

P.O. Box 5019 - Jeddah 21422

Kingdom of Saudi Arabia

Tel: +966 12 606 8633

Fax: +966 12 606 8622

E-mail address: CEO@uca.com.sa

Mohammed Eid Sawah

Secretary of the Board of Directors

Al Mukmal Tower- Rawda Street

P.O. Box 5019 - Jeddah 21422

Kingdom of Saudi Arabia

Tel: +966 12 606 8633

Fax: +966 12 606 8622

E-mail address: bod@uca.com.sa

Share Registrar

Tadawul

Abraj Attuwenya - King Fahd Road, Riyadh

P.O. Box 60612 - Riyadh 11555

Kingdom of Saudi Arabia

Tel: +966 (1) 218 9999 1

Fax: +966 (1) 218 9090

www.tadawul.com.sa

Advisors

Financial Advisor

BMG FINANCIAL GROUP

BMG Financial Group

Al Mukhmal Plaza, Palestine Street

P.O. Box: 52972 - Jeddah 21573

Kingdom of Saudi Arabia

Tel: +966 12 668 1777

Fax: +966 12 668 1888

Website: www.bmg.com.sa

E-mail address: info@bmg.com.sa

Legal Advisor to the Offering

EK PARTNERS & AL -ENEZEE legal counsel

Al-Enezee in association with EK Partners

Al Maazar Street- Riyadh

Futuro Tower - 3rd floor

P.O. Box: 69171, Riyadh 11547

Kingdom of Saudi Arabia

Tel: +966 (11) 2767372

Fax: +966 (11) 2766960

Website: www.ekplegal.com

E-mail address: info@ekplegal.com

Financial Due Diligence Advisor

Temairik Certified Public Accountants and Consultants

P.O. Box: 15266, Jeddah 21444

Kingdom of Saudi Arabia

Tel: +966 2657 3311

Fax: +966 2652 2055

E-mail address: info@temairik.com

Website: www.temairik.com

Chartered Accountants for 2014 G

Deloitte & Touche Bakr Abulkhair & Co.

P.O. Box 213, Riyadh 11411

Kingdom of Saudi Arabia

Tel: +966 11 282 8400

Fax: +966 11 282 8428

Website: www.deloitte.com

E-mail address: info.me@deloitte.com

المحاسبون المتحالفون

البسام والنمر محاسبون قانونيون

شركة مهنية سجل رقم ٣٢٣/١١/٥٢٠

Al-Bassam and Al Nemer Certified Accountants

Al-Mohaisin Building, 96th Floor

P.O. Box 28355 – Riyadh 11437

Kingdom of Saudi Arabia

Tel: +966 11 2395353

Fax: +966 11 2395454

E-mail address: Ibrahim.albassam@abc-albassam.com

Website: www.aacpa-sa.com

Chartered accountants for the years 2011 G. – 2013 G.

Deloitte.

Deloitte & Touche Bakr Abulkhair & Co.

P.O. Box 213, Riyadh 11411

Kingdom of Saudi Arabia

Tel: +966 11 282 8400

Fax: +966 11 282 8428

Website: www.deloitte.com

E-mail address: info.me@deloitte.com

البســـــام

محاسبون قانونيون وإستشاريون

Al-Bassam Certified Accountants & Advisors

Al-Mohaisin Building, 96th Floor

P.O. Box: 2732, Riyadh 11461

Kingdom of Saudi Arabia

Tel: +966 11 2065333

Fax: +966 11 2065444

E-mail address: info@albassamcpa.com

Website: www.albassamcpa.com

Actuary Advisor

Manar Sigma
Financial Consulting

Manar Sigma for financial consultancy

P.O. Box: 341905, Riyadh 11333

Kingdom of Saudi Arabia

Tel: +966 55 9444777

E-mail address: info@manarsigma.com

Website: www. Manarsigma.com

Note: All the aforementioned parties have given and not withdrawn their written consent to the publication of their names and logos in the Prospectus; moreover they do not themselves, their employees or any of their relatives have any shareholding or interest of any kind in the Company or any affiliate thereto.

Principal Bankers of the Company

Banque Saudi Fransi

Al Maazar Street, Riyadh
P.O. Box: 56006, Riyadh 11554
Kingdom of Saudi Arabia
Tel: +966 11 289 9999
Fax: +966 11 404 1352
Website: www.alfransi.com.sa
E-mail address: communications@alfransi.com.sa

Samba Financial Group

King Abdul Aziz Road
P.O. Box: 833, Riyadh 1142
Kingdom of Saudi Arabia
Tel: +966 11 477 4770
Fax: +966 11 479 9402
Website: www.samba.com.sa
E-mail address: CustomerCare@samba.com

Lead Manager and Underwriter

Alistithmar Capital for Financial Securities and Brokerage (Alistithmar Capital)

P.O. Box: 6888, Riyadh 11452

Kingdom of Saudi Arabia

Tel: +966 11 2547666

Fax: +966 11 4892653

Website: www.alistithmarcapital.com

E-mail Address: info@alistithmarcapital.com

Paid share capital : SAR 250.000.000

Receiving Banks

Samba Financial Group

King Abdul Aziz Road
P.O. Box: 833, Riyadh 1142
Kingdom of Saudi Arabia
Tel: +966 11 477 4770
Fax: +966 11 479 9402
Website: www.samba.com.sa
E-mail address: CustomerCare@samba.com

Riyadh Bank

P.O. Box 22622, Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 11 401 0303
Fax: +966 11 404 2618
Website: www.riyadbank.com
E-mail Address: customercare@riyadhbank.com

The Saudi Investment Bank

Al Maazar Street, Riyadh
P.O. Box: 3533, Riyadh 11481
Kingdom of Saudi Arabia
Tel: +966 11 477 8433
Fax: +966 11 473 1978
Website: www.saib.com.sa
E-mail address: ir@saib.com.sa

The National Commercial Bank

King Abdulaziz Road
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 12 649 3333
Fax: +966 12 643 7426
Website: www.alahli.com.sa
E-mail address: contactus@alahli.com.sa

Summary of the Offering

The Company.....	The United Cooperative Assurance Company is a Saudi joint stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration Number 4030179955 and in accordance with the decision of the Council of Ministers Number 94 dated 14/03/1428 H. (corresponding to 1/04/2007 G.) and Royal Decree Number M/24 issued on 15/03/1428 H. corresponding to 2/04/2007 G. and approving the incorporation of the Company in accordance with the Cooperative Insurance Companies Control Law issued by Royal Decree Number 32 dated 2/06/1424 H. and its regulations issued by Ministerial Decision Number 1/596 dated 1/03/1425 H.
The Company's activities	The Company is practicing, in compliance with article 3 of its by-laws and with the provisions of the Cooperative Insurance Companies Control Law and the implementing regulations thereof, as well as the prevailing rules and regulations in the Kingdom, cooperative insurance activities for all insurance businesses and related services including agencies, representation, corresponding or brokerage. The Company may exercise all related activities necessary to achieve insurance and investment businesses objectives. The Company may also, solely or jointly with others, own, trade, exchange or lease fixed or current assets directly or indirectly through its wholly-owned subsidiaries or associated entities. The Company may also own or have shares or interests with similar firms or other financial institutions that may assist the Company in achieving its objectives through merger or acquisition. The Company may exercise all these activities inside or outside the Kingdom of Saudi Arabia.
The Company's current share capital.....	SAR 280,000,000
Total number of existing shares.....	28,000,000 fully paid shares
Major Shareholders	UCA Insurance Bahrain, a closed joint stock Company which holds 9,100,000 shares of the Company's share capital, equivalent to 32,5% of the total number of shares. There isn't any other shareholder that owns more than 5% of the Company's shares.
Strategic Partner	UCA Insurance Bahrain, an exempted Bahraini closed joint stock Company, operating in the insurance sector since more than 30 years and owning 9,100,000 shares of the Company's share capital equivalent to 32.5% of the total number of shares. The Company has entered into an agreement with UCA Insurance Bahrain, based on which it acquired the insurance portfolio of UCA Bahrain in Saudi Arabia as of 31 December 2008 at a goodwill of SAR 78.40 million as approved by SAMA, along with relevant insurance assets and liabilities.
Offer Price	SAR 10 per new share, to be fully paid upon subscription.
Nature of Offering	Capital increase through a rights issue.
Nominal value	SAR 10 per share.
Number of offer shares	21,000,000 shares
Total number of shares post-Offering	49,000,000 shares
Percentage increase in share capital	The capital will be increased by 75%
Company's capital after the increase	SAR 490,000,000
Total Proceeds of the Offering	SAR 210.000.000
Adjusted Price	The Company's share value in Tadawul has been adjusted to SAR 16.63 per share at the close of trading on the day of the Extraordinary General Assembly Meeting and after the shareholders' approval of capital increase. This represents a reduction of SAR 4.98 in the share value.
Offering Expenses	SAR 5,300,000

Net Proceeds of the Offering after deduction of Offering Expenses.....	SAR 204,700,000
Number of new issued shares	21,000,000 shares
Value of new issued shares	SAR 210,000,000
Use of the Offering Proceeds	Gross Offering Proceeds are estimated to be SAR 210,000,000 Two Hundred and Ten Million Saudi Riyal. The Offering expenses of SAR 5,300,000, including the fees of the Financial Advisors, legal advisors to the Offering, reporting accountants, and the media and public relations consultants, as well as the Underwriter fees, Receiving Agent's expenses, marketing expenses, printing and distribution expenses and other related expenses, will be deducted from the Gross Offering Proceeds. The net Offering proceeds will be used by the Company to finance future expansion of the Company's operations in addition to maintain the minimum solvency margin requirements and the Company's minimum capital in accordance with the requirements of the implementing Regulations of the Law on the supervision of Cooperative Insurance Companies.
Eligible investors	All holders of the Rights, whether they are Registered Shareholders or purchasers of Rights during the Trading period, or Institutional Investors.
Total number of offered shares for each category of eligible investors	Each subscriber in the rights may subscribe in one share for each right he holds.
Subscription Procedure	Eligible shareholders who have interest to subscribe for the new offered Shares, shall complete and submit the subscription application forms during the Subscription Period. Submission forms are available at the Receiving Agents. Subscription amount should be fully paid upon applying for subscription by allowing the receiving agent to deduct the required amount of the subscriber's account or by certified check drawn upon a local bank under the name of "United Cooperative Insurance Company account –Rights Issue". The eligible person does not have to own an account at the Receiving Agent. Subscription may also be made through internet, phone or ATM of the receiving agent providing any/all such services, provided that the eligible person has an account at the receiving agent Offering the services and that the personal data related to the subscriber "eligible person" are up-to-date.
Number and value of shares that may be subscribed for	The rights' holder may subscribe for the rights he holds (in whole or in part) and may also decide not to subscribe to any such shares.
Registered Shareholders	The Shareholders of the Company registered in the Shareholders' Register as at the close of trading on the day of the meeting of the General Assembly.
Eligibility Date	Close of trading on the day of the Extraordinary General Assembly Meeting voting on the increase in the Company's capital according to the Board of Directors' recommendation on 29/04/1436 H. (corresponding to 18/02/2015 G.).
Rights Issue	Rights issued as tradable securities giving their holders the priority to subscribe for the New Shares offered upon approval of the capital increase. All shareholders registered in the Company's Register (Company's shareholders registered in the Shareholders' Register at the end of the day of the Extraordinary General Assembly Meeting) will be entitled to receive such Rights. Each Right grants its holder eligibility to subscribe for one New Share at the Offer Price.
New Shares	The Shares offered for subscription by Registered Shareholders resulting from the Capital increase of the Company.
Rights Issue Ratio	0.75 Rights for every 1 existing Share owned by a Registered Shareholder. This ratio is the outcome of dividing the number of New Shares issued by the number of the Company's existing shares.

Number of Issued Rights	21,000,000 Rights
First Offering Period	The Period from Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until the end of the day on Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.) ("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 General Assembly Meeting. The First Offering Period coincides with the Trading Period during which registered shareholders and investors whether individuals or entities may trade in the rights.
Trading Period	From Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until the end of the day on Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.) during which Registered Shareholders and eligible investors whether individuals or entities may trade the Rights.
Second Offering Period	The period from Sunday 17/05/1436 H. (corresponding to 08/03/2015 G.) until the end of the day on 19/05/1436 H. (corresponding to 10/03/2015 G.) ("Second Offering Period") during which all Rights' holders (whether Registered Shareholders or purchasers of Rights during the Trading Period) (hereinafter referred to each as "Eligible Person" and collectively as "Eligible Persons") may exercise their right to subscribe in the New Shares. No trading of Rights shall take place in this period.
Rump Shares	The remaining New Shares which were not subscribed for during the First Offering Period and the Second Offering Period.
Rump Offer	The Rump Shares will be offered to a number of Institutional Investors (hereinafter referred to as "Institutional Investors") provided that such Institutional Investors submit offers to purchase the Rump Shares. Receipt of such offers will start at 10:00am o'clock on Sunday 24/05/1436 H. (corresponding to 15/03/2015 G.) until the following day at 10:00am o'clock on Monday 25/05/1436 H. (corresponding to 16/03/2015 G.) and it shall be referred to as the "Rump Offer". The Rump Shares will be allocated to Institutional Investors in order of the price 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.
Date of shares allocation	Thursday 06/06/1436 H. (corresponding to 26/03/2015 G.)
Eligible shareholders of new shares	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights during the Trading period.
New Shares allocation	New Shares will be allocated to each investor according to the number of Rights subscribed for in a complete and correct manner. Fractional Shares will be collected and offered to Institutional Investors during the Rump Offering. All proceeds resulting from the sale of Rump Shares and fractional Shares up to the Offer Price shall be distributed to the Company and any proceeds in excess of the Offer Price shall be distributed to the Eligible Persons no later thanThursday 06/06/1436 H. (corresponding to 26/03/2015 G.) . (see section 13-Subscription Terms and Conditions).
Listing of/Trading in the rights	"Tadawul" is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to UCA's Rights Issue (separate from the UCA's trading symbol on the Tadawul screen). Registered Shareholders shall have the following options during the Offering and trading period of the trading of the Rights: 1. Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe for the New Shares. 2. Selling the Rights or a part thereof through the Exchange. 3. Purchasing additional Rights on the Exchange. 4. Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe for the same, if kept to the end of the first Offering period only. The "Tadawul" system will cancel UCA Rights Issue symbol on the Tadawul screen after the end of the Trading Period and thus, the trading of Rights shall cease at the end of the Rights trading period.

Indicative Value of the Right	The indicative value of a Right reflects the difference between the Company's share market value during the Trading Period and the Offer Price. Tadawul will continuously calculate and publish the indicative value of a Right during the First Offering Period on its website with 5 minutes delay. This will allow investors to be informed of the indicative value of a Right when entering the orders.
Right trading price	The price at which the Right is traded. This price is set through Tadawul's bid/offer mechanism; therefore, it may differ from the Indicative Value of the Right.
Shares' Dividends	The New Shares will be entitled to receive their portion of any dividends declared by the Company for future years for the period from the Offering and for the following financial years (see Section 2-7-"Dividends Distribution Policy").
Voting Rights	The Company has only one class of Shares. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the right to attend and vote at the General Assembly meeting.
Restrictions to shares	The Company's shares had been listed on Tadawul on 22/06/2008 G. (corresponding to 18/06/1429 H.) and the restriction period already elapsed since 2011 G., and the shares of the founding shareholders are no longer under restriction. Therefore, Founding shareholders and the strategic partner have the right to make use of their shares upon approval of SAMA and CMA.
Restrictions to Rights	In the event that the strategic partner wants to sell his own rights or to purchase new ones during the trading period, he should obtain the approval of SAMA. The strategic partner has no intention of selling or purchasing any additional rights.
The strategic partner's commitments as to the rights	Upon request of SAMA, the strategic partner has confirmed his full commitment to subscribe for the whole eligible rights. SAMA has not requested the other founding partners to confirm their commitment to the same.
Risk Factors	There are certain risks associated with the investment in this Offering. These risks can be generally categorized into (a) risks related to the market and the legal environment, (b) risks related to the Company's work and activities and (c) risks related to the Shares. These risks should be considered carefully prior to making an investment decision in the Rights Issue Shares (see Section 2 entitled "Risk Factors").
Previously listed shares	The Company's shares were listed on Tadawul on 22/6/2008 G. (corresponding to 18/6/1429 H.), whereby the founding shareholders have subscribed for 60% of the Company's share capital while the remaining 40% was offered for public subscription. The Company increased its share capital by SAR 80 million in 2013 G., with an increase percentage of 40%, and thus shares were increased from 20 million to 28 million shares, through granting 2 free shares for each 5 shares, after obtaining the approval of relevant parties. The share capital was increased in order to cope with expansion process of the Company's activity.

Note: The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered carefully prior to making any investment decision.

Key Dates for subscribers

Announcement	Date
The holding of the Extraordinary General Assembly Meeting of the Company's shareholders and the setting of the eligibility date to designate eligible shareholders	29/04/1436 H. (corresponding to 18/02/2015 G.
Date of first Offering period and the trading in Rights	From Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.)
Date of second Offering period	From Sunday 17/05/1436 H. (corresponding to 08/03/2015 G.) until Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.)
Date of the end of Offering period and deadline for the submission of subscription applications forms	Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.)
rump offer period	Starting 10:00am on Sunday 24/05/1436 H. (corresponding to 15/03/2015 G.) until 10:00am on Monday 25/05/1436 H. (corresponding to 16/03/2015 G.)
Final allocation notification	Wednesday 27/05/1436 H. (corresponding to 18/03/2015 G.)
Payment of compensation amounts (if any) for eligible persons who did not participate in the Offering and to those entitled to shares' fractions	Thursday 06/06/1436 H. (corresponding to 26/03/2015 G.)
Expected date for the commencement of trading in the offer shares	Trading in the offer shares will take place upon completing all regulatory procedure, briefly after the settlement of the surplus and in coordination with CMA and Tadawul. And it will be announced later.

The above timetable and all dates therein are indicative. Actual dates will be communicated through newspapers (local daily newspapers) as well as on Tadawul's website www.tadawul.com.sa.

Key Announcement dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the EGM Meeting (Eligibility Date)	The Company	Wednesday 29/04/1436 H. (corresponding to 18/02/2015 G.)
Announcement regarding the EGM Meeting outcome, including the approval of the Company's capital increase	The Company	Wednesday 29/04/1436 H. (corresponding to 18/02/2015 G.)
Announcement regarding the change in Company's share price, Rights' deposit and announcement regarding the Indicative Value of the Right	Tadawul	Thursday 30/04/1436 H. (corresponding to 19/02/2015 G.)
Announcement regarding the New Shares subscription period and Rights trading period	The Company	Wednesday 29/04/1436 H. (corresponding to 18/02/2015 G.)
Reminder announcement regarding the commencement of the First Offering Period and the Rights Trading Period	The Company	Sunday 03/05/1436 H. (corresponding to 22/02/2015 G.)
Reminder announcement of the last Trading day for the Rights and the importance of selling Rights for those not willing to subscribe	Tadawul	Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.)
Announcement regarding the commencement of the Second Offering Period	The Company	Sunday 17/05/1436 H. (corresponding to 08/03/2015 G.)
Reminder announcement about the last day for submitting Subscription Application Forms for the Second Offering Period	The Company	Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.)
Announcement regarding: • Outcome of the subscription for the First and the Second Offering Periods Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering	The Company	Thursday 21/05/1436 H. (corresponding to 12/03/2015 G.)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	The Company	Wednesday 27/05/1436 H. (corresponding to 18/03/2015 G.)
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	Sunday 02/06/1436 H. (corresponding to 22/03/2015 G.)
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	The Company	Thursday 06/06/1436 H. (corresponding to 26/03/2015 G.)

The above timetable and all dates therein are indicative. Actual dates will be communicated through newspapers (local daily newspapers) as well as on Tadawul's website www.tadawul.com.sa.

How to Apply for subscription

Subscribing for the New Shares shall be limited to Eligible Persons. In the event that Eligible Persons do not subscribe for the New Shares, the 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 Offering Period at the Receiving Agents' branches and websites. It is also possible to apply through the internet, banking phone or ATMs of any of the Receiving Agents that offer one or all of these services to the Applicants, provided that the Applicant "Eligible Person" shall have a bank account with the Receiving Agent which offers such services and that all the personal information or data of the "Eligible Person" are up-to-date.

Subscription Application Forms must be completed in accordance with the instructions mentioned under section 13 "Subscription Terms and Conditions" of this Prospectus. Each subscriber should approve all sections of the relevant subscription application 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 Agents. 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 13 "Subscription Terms and Conditions" of this Prospectus).

FAQs about the Rights Issue Mechanism

What is a Right issue?

A Right Issue is an Offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. They are acquired rights for all Registered Shareholders in the Company's Register at the end of the Extraordinary General Assembly Meeting. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price.

Who is granted the Rights?

The Rights are granted to all Registered Shareholders in the Company's Register as at the close of trading on the date of the Extraordinary General Assembly Meeting.

When are the Rights deposited?

The Rights are deposited within two days after the Extraordinary General Assembly 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 by the Registered Shareholders until the beginning of the trading period and the First Offering Period.

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

The 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 is subject to 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 Extraordinary General Assembly 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 already owned on the date of the Extraordinary General Assembly Meeting. If a Company, for example, has issued 1,000 shares and increased its capital by Offering 500 new shares, its number of shares becomes 1,500 shares. Then, the eligibility ratio is 1 to 2 (one new share for every 2 existing 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 trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 25 (twenty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 25 minus 10, i.e. SAR 15 (fifteen Saudi Riyals).

Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares by purchasing new Rights during the Trading Period. These additional shares for the purchased new Rights can subscribed for 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 Agents' branches (mentioned in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

Is it possible to subscribe more than once and through more than one receiving agent?

Yes it is, provided the number of subscribed shares does not exceed the number of acquired rights at the end of the rights trading period. Otherwise, the subscription application will be cancelled.

In the event that the Company's shares are being owned through more than one account, in which account the rights shall be deposited?

They will be deposited in the same account where are deposited the Company's shares related to the rights. For instance, in the event that one of the shareholders owns 1000 shares in the Company (800 shares in account A, 200 shares in account B, the total number of rights to be deposited will be 750 rights, considering that for each share there is 0.75 right. Therefore, 600 rights will be deposited in account A and 150 rights in account B.

In the event of subscription in more than one account, where are deposited the new shares after allocation?

According to the Securities Depository center, securities are being deposited in the most recent investment account except securities acquired through 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 invest-

ment accounts through the Receiving Agents or the Tadawul's depository center and submitting the requisite documents.

What happens if New Shares are subscribed for, and then the Rights have been 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 sold Rights. In this case, the Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded.

Are additional Rights purchasers entitled to trade them once 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 is it possible for the shareholder to subscribe for the rights he acquired during the trading period?

He could do so during the second Offering period after expiry of the Trading period.

Can the Eligible Person sell the Right after expiry 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. In case 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 operations, without a minimum commission being imposed.

Summary of Key Information

This summary is a brief overview of the information contained in this Prospectus and does not contain all of the information that may be important to Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the new Shares. Certain terms contained in this Prospectus have been defined in the "Definitions and Abbreviations" section of this Prospectus.

Company Background

United Cooperative Assurance Company ("UCA" or the "Company") is a Saudi Public joint stock Company established in the Kingdom of Saudi Arabia under the Commercial Registration Number 4030179955. The Company's headquarters is situated in Jeddah, Khaldiyah District, Al Rawda Street, Al Mukmal Tower. UCA was established in accordance with the decision of the Council of Ministers Number (94) dated 14/03/1428 H. (corresponding to 1/04/2007 G.) and Royal Decree Number (M/24) dated 15/03/1428 H. (corresponding to 2/04/2007 G.), approving the establishment of the Company in accordance with the Cooperative Insurance Companies Control Law issued by Royal Decree Number (M/6) dated 22/03/1385 H. and the Cooperative Insurance Companies Control Law issued by Royal Decree Number (32) dated 2/06/1424 H. and the implementing regulations thereof issued by Ministerial Decision Number 1/596 dated 1/03/1425 H. The Company's share capital is SAR 280,000,000 (two hundred and eighty million Saudi Riyal) consisting of 28,000,000 shares (twenty eight million shares).

The Company's Mission and Strategy

The Company's vision

The Company aims to become one of the best local insurance companies in the Kingdom of Saudi Arabia, as for its superiority in customers' service, long term partnership with brokers and highly professional business management.

The Company's mission

The Company's mission is to increase awareness and develop a basic understanding for cooperative insurance concept in the Kingdom of Saudi Arabia, as well as to build a successful partnership with customers, agents and staff.

The Company's activity:

The Company provides insurance services, including:

- Aviation Insurance
- Energy Insurance
- Medical Insurance
- Trade Credit Insurance
- Engineering Insurance
- Accidents and General Liability Insurance
- Marine Insurance
- Motor Insurance
- Property Insurance

The Company exercises the above-mentioned activities in accordance with the Cooperative Insurance Companies Control Law and its implementing regulations.

The Company's strategy

The compulsory implementation of the cooperative insurance in both health and motor liability sectors highly impacts the growth rates of insurance sector, associated with a rapid growth of insurance operations in the kingdom and a large increase in competition as for services quality on the short term. This is due to the attempt of new insurance companies to develop their operations on the local market, resulting in some stress on profit margin of such companies.

The Company strongly believes in competing on the local market, based on its acquisition of UCA Bahrain (major founder) portfolio and on the latter's high quality services, successful business record and large expertise in the insurance sector for over than 30 years, and on the portfolio performance during the last few years.

The Company expects a substantial growth for the following years, based on a strong strategic customer's base and on large companies it has been dealing with for more than 10 years. The Company also aims, through providing high quality services, at expanding its products range as to include a new and diversified customer's segment, whether companies or individuals, setting the basis for profitable operations in the future.

Summary of the Company's Competitive Profile

- A constant and stable customer's base consisting of major companies in Saudi Arabia.
- Large expertise in the Saudi market exceeding 30 years.
- Highly qualified and experienced staff.
- Wide geographical spread in various Saudi regions.

Major Shareholders

Name of the shareholder	Nationality	Number of shares	Amount in SAR	Percentage
UCA Insurance	Bahraini	9,100,000	91,000,000	32,5%

Market Overview

Overview of the Saudi economy

Saudi Arabia's economy has maintained its robustness in recent years, driven by government spending and per capita expenditure and investments.

Although the rate of growth of real GDP was 4% in 2013, the economic growth rate remained much below, compared to 2012, due to a slight decrease in oil prices and production.

The oil sector witnessed a growth decrease in 2013 by 1% compared to 2012, amounting to 232.6 billion SAR.

However, this deflation in the oil sector was compensated by other non-oil industries, recording a growth of approximately 5.2%. In this regard, the private sector has maintained its large contribution to real GDP by 66%, recording a growth of 5.8% in fixed prices, which highlights the major role of private companies in the Saudi economy.

Overview of the insurance sector in the Middle East

The insurance industry in the Middle East is still in its nascent stages, compared with other advanced world economies. Proof of this is the low penetration and density rates, low capitalization rates, and to some extent weakness of legislative regulations of the insurance sector compared to the more developed economies.

During the past five years the insurance sector witnessed strong growth rates. Although these growth rates are important, the region still has a long way to go before becoming a mature insurance sector. We expect that the movement of countries economics in the region, government's efforts to develop legislative regulations and increased investments will have a positive impact on the insurance sector and ensure continuous growth in the coming years.

Overview of the insurance sector in KSA

The insurance sector of Saudi Arabia has witnessed a substantial growth amounting to 19.2%, with total insurance premiums of 25.2 billion SAR in 2013, compared to 21.2 billion SAR in 2012. This is mainly due to a substantial economic growth in the kingdom and to compulsory insurance in both health and motor sectors.

Summary of Financial Performance and Indicators

It is important to read the following financial data along with section 6 of this Prospectus "Management Discussion & Analysis of the Company's Financial Position and Result of Operations" and the audited financial statements of the Company and all notes attached therewith and contained in section 15 of this Prospectus "Accountants' Report".

The following summary of the financial statements is based on the audited financial statements for the year ended 31 December 2011, the year ended 31 Dec. 2012 and for the year ended 31 Dec. 2013 including the notes attached therewith, as well as on the unaudited financial statements for the first half of 2014.

The financial data contained in the following tables represent a brief summary and it could not be considered as an indicator for any future results.

Statement of Financial Position			
SAR 000s	**FY 2011**	**FY 2012**	**FY 2013**
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	210,908	34,132	86,018
Time Deposits	-	90,732	-
Available for sale investments	28,475	2,439	54,858
Held to maturity investments	5,361	-	-
(Premium receivables (Net	381,055	281,115	411,024
(Reinsurance Receivables (Net	8,843	20,043	8,830
Reinsurers' share of unearned premium	83,450	91,375	123,901
Reinsurances' share of outstanding claims	121,725	75,189	114,716
Deferred policy acquisition cost	9,462	9,133	7,117
Repayments and other receivables	60,163	86,788	84,811
Due from shareholders' operations	-	-	86,610
Furniture, Fittings and Office Equipment	8,542	8,743	6,849
Total Insurance Operations' assets	917,984	699,689	984,734
SHAREHOLDERS' ASSETS			
Cash and cash equivalent	181,780	32,314	92,486
Time Deposits	-	166,301	-
Available for sale investments	17,450	22,201	165,017
Held to maturity investments	19,467	-	-
Prepayments and other receivables	105	205	878
Amount due from related parties	230	230	-
Due from insurance operations	47,708	22,847	-
Goodwill	78,400	78,400	78,400
Statutory Deposit	20,000	20,000	28,000
Total Shareholders' Assets	365,140	342,498	364,781
TOTAL ASSETS	**1,283,124**	**1,042,187**	**1,349,515**
INSURANCE OPERATIONS' LIABILITIES			
Reinsurers payables	106,097	56,672	190,992
Unearned commission income	15,081	16,665	25,437
Unearned premiums	402,856	336,380	375,450
Premium deficiency reserve	1,281	1,421	13,727
Catastrophe reserve	-	-	500
Outstanding claims	258,198	188,689	296,662
Payables to policy holder	9,887	21,028	29,425
Accrued and other payables	52,701	27,399	22,439
Due to shareholders' operation	47,708	22,847	-
Employees' terminal benefits	4,995	7,313	9,085
Total Insurance Operations' Liabilities	**898,804**	**678,414**	**963,717**
Insurance Operations' Surplus			
Accumulated Surplus from insurance operations	18,720	21,258	21,258
Available for sale investments reserve	460	17	(241)
Total Insurance Operations' Liabilities and Surplus	**917,984**	**699,689**	**984,734**
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables	5,540	728	1,059
Due to financial institution	-	-	18,750
Due to related party	-	-	270
Due to insurance operations	-	-	86,610
Accrued Zakat and income tax	17,088	21,819	21,929
Amount due to a related party in respect of goodwill	24,962	-	-
Total shareholders' liabilities	**47,590**	**22,547**	**128,618**

Shareholders' Equity			
Share Capital	200,000	200,000	280,000
Statutory reserve	27,429	31,944	31,944
Accumulated losses)/Retained earnings)	89,716	87,777	(76,627)
Available for sale investments reserve	405	230	846
Total Shareholders' Equity	**317,550**	**319,951**	**236,163**
Total Shareholders' Liabilities and Equity	**365,140**	**342,498**	**364,781**
'TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY	**1,283,124**	**1,042,187**	**1,349,515**

All the aforementioned numbers are in 000s Saudi Riyals.

Source: the audited financial statements.

Statement of Insurance Operations and Accumulated Surplus

SAR 000s	FY 2011	FY 2012	FY 2013
Gross Written Premiums	1,068,776	1,024,070	1,292,975
Reinsurance Premium Ceded	(231,411)	(281,965)	(413,749)
Excess of Loss Premiums	(6,732)	(5,148)	(5,959)
Net Written Premiums	830,633	736,957	873,267
Changes in Net Unearned Premium	(114,801)	74,402	(6,544)
Net Premium Earned	715,832	811,359	866,723
Reinsurance Commission Received	35,032	38,850	47,361
NET REVENUES	**750,864**	**850,209**	**914,084**
Gross Claims Paid	669,699	848,348	865,472
Reinsurers' Share	(62,848)	(116,193)	(64,710)
Net Claims Paid	606,851	732,155	800,762
Changes in Net Outstanding Claims	(14,926)	(22,973)	68,446
Net Claims Incurred	591,925	709,182	869,208
Policy Acquisition Cost	21,214	22,607	23,951
Premium Deficiency Reserve	-	140	12,306
Catastrophe reserve	-	-	500
NET COSTS and Expenses	**613,139**	**731,929**	**905,965**
Net Result of Insurance Operations	**137,725**	**118,280**	**8,119**
General & Administrative Expenses	(87,084)	(93,912)	(99,613)
Supervision & inspection fee	(5,231)	(5,002)	(4,423)
Council of Cooperative Health Insurance fee	(4,453)	(2,356)	(983)
Investment income	4,965	6,171	4,718
Release of Doubtful Debts Provision	7,087	2,204	5,450
Surplus/(Deficit) from Insurance Operations	**53,009**	**25,385**	**(86,732)**
(Shareholders' share of insurance operations from Surplus/(Deficit	(47,708)	22,847	(86,732)
Surplus for the year	5,301	2,539	-
Accumulated Surplus at the beginning of the Year	13,419	18,720	21,258
Accumulated Surplus at the end of the Year	**18,720**	**21,259**	**21,258**

All the numbers are in 000s Saudi Riyals.

Source: the audited financial statements.

Cash Flow Statement (Policyholders and Shareholders)			
SR in 000s	**31/12/2011**	**31/12/2012**	**31/12/2013**
Policyholders:			
Net Cash from operating activities	33,674	(115,326)	15,916
Net Cash from investing activities	(27,076)	(61,450)	35,970
Cash and cash equivalent at beginning of the year	204,310	210,908	34,132
Cash and cash equivalent at end of the year	**210,908**	**34,132**	**86,018**
Shareholders:			
Net Cash from operating activities	67,888	17,864	17,837
Net Cash from investing activities	113,322	(147,330)	31,851
Net Cash from financing activities	(20,000)	(20,000)	10,484
Cash and cash equivalent at beginning of the year	20,570	181,780	32,314
Cash and cash equivalent at end of the year	**181,780**	**32,314**	**92,486**

All the numbers are in 000s Saudi Riyals.

Source: the audited financial statements.

Statement of Financial Position		
SR in 000s	**December Audited 2013**	**December 2014 Unaudited**
Insurance Operations' Assets		
Cash and cash equivalent	86,018	41,547
Available-for-sale-investments	54,858	55,088
Premiums receivable, net	411,024	353,735
Reinsurance' receivables, net	8,830	48,953
Reinsurers' share of unearned premiums	123,901	237,747
Reinsurers' share of outstanding claims	114,716	83,835
Deferred policy acquisition cost	7,117	8,906
Prepayments and other receivables	84,811	129,035
Due from shareholders' operations	86,610	91,635
Furniture, fittings and office equipment	6,849	5,751
Total insurance operations' assets	984,734	1,056,232
SHAREHOLDERS' ASSETS		
Cash and cash equivalents	92,486	61,201
Available-for-sale-investments	165,017	171,975
Prepayments and other receivables	878	2,002
Goodwill	78,400	78,400
Statutory deposit	28,000	28,000
Total shareholders' assets	364,781	341,578
TOTAL ASSETS	**1,349,515**	**1,397,810**
Insurance Operations' Liabilities		
Reinsurers payables	190,992	153,590
Unearned commission income	25,437	29,257

Unearned premiums	375,450	532,040
Unexpired risk reserve	13,727	13,727
Catastrophe reserve	500	500
Outstanding claims	296,662	262,517
Payables to policy holders	29,425	12,893
Accrued and other payables	22,439	20,664
Employees' terminal benefits	9,085	9,797
Total insurance operations' liabilities	**963,717**	**1,034,985**
Insurance operations' surplus		
Accumulated surplus from insurance operations	21,258	21,258
Available-for-sale-investments reserve	(241)	(11)
Total insurance operations' liabilities and surplus	**984,734**	**1,056,232**
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders' liabilities		
Accruals and other payables	1,059	1,127
Due to financial institutions	18,750	18,750
Due to a related party	270	270
Due to insurance operations	86,610	91,635
Accrued zakat and income tax	21,929	10,641
Total shareholders' liabilities		
Shareholders' equity	**128,618**	**122,423**
Share capital	280,000	280,000
Statutory reserve	31,944	31,944
Accumulated losses	(76,627)	(95,012)
Available-for-sale-investments reserve	846	2,223
Total shareholders' equity	**236,163**	**219,155**
Total shareholders' liabilities and equity	**364,781**	**341,578**
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	**1,349,515**	**1,397,810**

All the numbers are in 000s Saudi Riyals.

Source: the audited financial statements.

UCA

Statement of Insurance Operations and Accumulated Surplus		
SAR 000s	**June-2013 (Un-Audited)**	**June-2014 (Un-Audited)**
Gross Written Premiums	692,850	580,483
Reinsurance Premium Ceded	(166,933)	(165,050)
Excess of Loss Premiums	(2,560)	(1,970)
Net Written Premiums	523,357	413,463
Changes in Unearned Premium	(106,367)	(42,744)
Net Premium Earned	416,990	370,719
Reinsurance Commission Earned	22,292	19,224
NET REVENUES	**439,282**	**389,943**
Gross Claims Paid	417,276	412,633
Reinsurers' Share	(26,202)	(63,015)
Net Claims Paid	391,074	349,618
Changes in Net Outstanding Claims	(37,938)	(3,264)
Net Claims Incurred	353,136	346,354
Policy Acquisition Cost	13,144	8,885
NET COSTS and Expenses	**366,280**	**355,239**
Net Results of Insurance Operations	73,002	34,704
General & Administrative Expenses	(52,282)	(49,017)
Supervision & inspection fee	(3,364)	(2,823)
CCHI Fee	(890)	(1,148)
Investment income	2,972	1,588
Surplus/(Deficit) from Insurance Operations	**19,438**	**(16,696)**
(Shareholders' share of insurance operations from Surplus/(Deficit	17,494	(16,696)
Surplus for the Period	1,944	-
Accumulated Surplus at the beginning of the Period	21,258	21,258
Accumulated Surplus at the end of the Period	**23,202**	**21,258**

All the numbers are in 000s Saudi Riyals.
Source: the audited financial statements.

Cash Flow Statement (Insurance operations and Shareholders)		
SR in 000s	**Jun-2013 (Un Audited)**	**30 Jun-2014 (Un Audited)**
Insurance operations:		
Net Cash from operating activities	79,580	(43,723)
Net Cash from investing activities	27,481	(748)
Cash balance at beginning of the period	34,132	86,018
Cash balance at end of the year	**141,193**	**41,547**
Shareholders:		
Net Cash from operating activities	16,239	(26,724)
Net Cash from investing activities	62,294	(4,561)
Net Cash from financing activities	10,608	-
Cash balance at beginning of the period	32,314	92,486
Cash balance at end of the year	**121,455**	**61,201**

All the numbers are in 000s Saudi Riyals.
Source: the audited financial statements.

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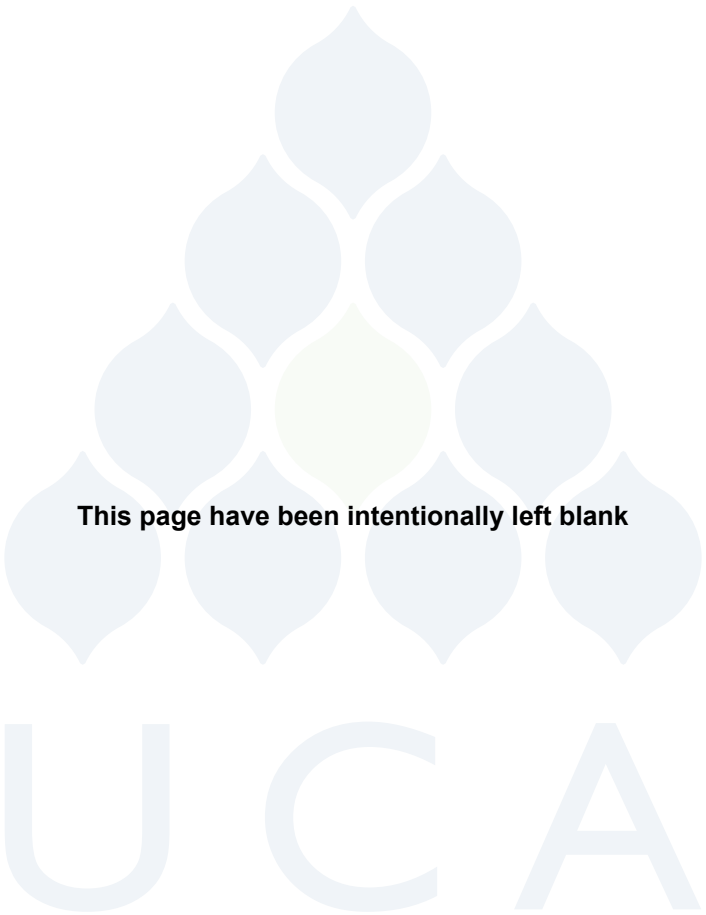

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1- Definitions and Abbreviations

A

- **AA-**: A credit rating from S&P
- **Actuary**: A person who conducts various statistical and probability theories according to which services are priced, liabilities are assessed and provisions are calculated.
- **Advisors**: parties providing specific services related to the Offering and whose names appear in pages i/j/k of this Prospectus.
- **A.M. Best**: an international Company specialized in credit rating related in particular to the insurance sector.
- **Articles of association**: The Company's articles of association

B

- **BBB**: A credit rating from S&P.
- **Beneficiary**: The natural or legal person benefiting from the insurance policy in the event of loss or damage.
- **Board or board of directors**: The Company's board of directors.
- **By-laws**: By-laws of the Company.

C

- **Capital Market Authority or the Authority or CMA**: the capital market authority in KSA.
- **Company**: UCA, United Cooperative Assurance Company, a Saudi public joint stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration Number 4030179955.
- **Companies Law**: The Companies Law issued by Royal Decree Number M/6 dated 22/03/1385 H. and its amendments.

E

- **Eligibility date**: The end of the day of the Extraordinary General Assembly Meeting voting for the suggested increase of the Company's share capital as per the board of directors recommendation dated on 29/04/1436 H. (corresponding to 18/02/2015 G.)

F

- **Financial advisor**: BMG Financial Group, designated by the Company to act as the Offering financial advisor.

- **Financial Derivatives**: a contract whose value depends on the performance of financial assets or other indicators or investments.

- **First Offering Period**: commencing on Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until the end of the day on Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.) , during which only registered shareholders are allowed to exercise their right to subscribe (in whole or in part) for new shares, in the limit of the rights deposited in their accounts upon the holding of the assembly.

- **Fiscal year**: the year ending on December 31 f each calendar year.

- **Founding shareholders**: the shareholders founders of the Company.

G

- **General Assembly**: The General Assembly of the Company's shareholders.

- **Government**: The Government of the Kingdom of Saudi Arabia.

I

- **IBNR**: Incurred But Not Reported, claims that have been incurred but have not yet reported.

- **Implementing Regulations**: the implementing regulations of the Cooperative Insurance Companies Control Law issued by Royal Decree No M/32 dated 2/6/1424 H. corresponding to 31/7/2003 G.

- **Indicative Value**: The indicative value of a Right reflects the difference between the Company's share market value during the Trading Period and the Offer Price.

- **Institutional Investors**: including:

1- Publicly offered Investment Funds established in the kingdom of Saudi Arabia and investing in Saudi securities, provided that the Fund terms and provisions allow and the terms and conditions of the Investment Funds Regulations are observed.

2- Authorized persons to deal with securities as principals, provided the observance of the financial adequacy requirements.

3- Publicly listed companies in the Saudi stock exchange via their portfolios managed by authorized persons and banking and insurance institutions listed on the Saudi stock exchange, in compliance with the CMA regulations, provided the Company's participation does not lead to any interest conflict.

- **Insurance**: the transfer of risk assumption from the insured to the insurance Company and the compensation of the former by the insurance Company for the incurred loss and damages.

- **Insurance agent**: The legal person, who represents the Company, promotes and sells insurance policies and all operations for the Company's account or on its behalf against a fee.

- **Insurance broker**: the legal person who negotiates with the Company against a specific fee to achieve the insurance operation for the insured account.

- **Insurance Company**: the insurance Company that approves direct insurance from the insured.

- **Insurance law**: The Cooperative Insurance Companies Control Law issued by Royal Decree Number M/32 dated 2/06/1424 H. and its implementing regulations issued by virtue of Royal Decree Number M/30 dated 2/06/1424 H. corresponding to 31/07/2003 G.

- **Insurance policy**: a contract by which the insurance Company commits to compensate the insured for any damage or loss covered by the policy against a premium paid by the insured.

- **Insurance subscription**: The approval of risks insurance operation.

- **Insurance supervisor**: a governmental agency or public institution supervising and monitoring the insurance sector in the Offering country.

- **Insured**: the natural or legal person who entered into an insurance policy with the insurance Company.

K

- **Kingdom**: The Kingdom of Saudi Arabia.

L

- **Lead manager of the Offering**: ALISTITHMAR Capital.

- **Listing rules**: the listing regulations issued by CMA according to article 6 of the Capital Market Law issued by virtue of Royal Decree Number M/30 dated 2/06/1424 H. (corresponding to 31/07/2003 G.).

M

- **Management**: The management of UCA

N

- **Net Proceeds**: The net proceeds of the Offering, after deducting the Offering expenses.

- **Nominal value**: SAR 10 for each share.

O

- **Offering**: The shares offer through the issue of the rights by the Company, for a total of 21,000,000 shares to eligible shareholders at a price of SAR 10 for each share.
- **Offer Price**: SAR 10 per share.
- **Offer Shares**: 21,000,000 shares of the shares of the Company.
- **Official Gazette**: Um Al Qura, the official Gazette of the Kingdom of Saudi Arabia.

P

- **Person**: A natural person.
- **Portfolios:** SAMA portfolios
- **Premium**: the amount paid by the insured in return for the insurance Company's approval to indemnify the insured for damage or lass that is the direct cause of the insured risk incident.
- **Proceeds of the Offering**: Total value of subscribed shares.
- **Prospectus**: This document prepared by the Company in relation to the Offering.
- **Public**: refers in listing rules to the persons not mentioned below:
  - The issuer affiliates,
  - Major shareholders of the issuer,
  - The issuer directors and senior executives,
  - Directors and senior executives of the issuer affiliates,
  - Directors and senior executives of the issuer major shareholders,
  - Any relatives of the above mentioned parties (1,2,3,4,5),
  - Any Company controllers by any of the abovementioned parties (1, 2, 3, 4, 5 and 6), or
  - Any persons who collectively work and own 5% or more of the listed shares.
- **Policyholders**: The natural or legal person who is holder of the insurance policy

R

- **Receiving agents**: Banks that receive subscription forms (see section 13 “Subscription terms and conditions”).

- **Reinsurance**: the process of transferring the burden of insured risks from the insurer to the reinsurer and the compensation of the insurer by the reinsurer for any payments made by the insurer to the insured when exposed to damages or losses.

- **Reinsurance commissions**: Amounts collected by insurance companies from reinsurance companies, as compensation for some incurred expenses in the process of obtaining the insurance policies

- **Reinsurer**: Insurance and/or reinsurance Company that accepts reinsurance from another insurer.

- **Relatives:** Husband and wife and first-degree relatives such as parents and children.

- **Retention rate:** indicative of all written premiums retained by the Company and which are not subject to reinsurance. It is calculated through dividing net insurance written premiums by total insurance written premiums.

- **Risk**: an event related to the possible occurrence of damage or loss with the absence of the possibility of profit.

- **Rump Offering period**: Unsubscribed Rump Shares, if any, will be offered for subscription to a number of Institutional Investors (referred to as “Institutional Investors”), and provided these investors submit acquisition offers regarding the rump shares. Offers will be received from 10:00am on Sunday 24/05/1436 H. (corresponding to 15/03/2015 G.) until the following day at 10:00am on Monday 25/05/1436 H. (corresponding to 16/03/2015 G.)..

- **Rump shares**: Rump shares unsubscribed for in the first and second Offering periods.

S

- **SAGIA**: Saudi Arabian General Investment Authority in KSA.

- **SAMA**: Saudi Arabian Monetary Agency

- **Saudization**: Labor regulations in Saudi Arabia requiring the companies operating in the Kingdom to hire a certain percentage of Saudi citizens.

- **Second Offering Period**: Commencing on Sunday 17/05/1436 H. (corresponding to 08/03/2015 G.) until the end of the day on Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.) , during which all rights holders (whether registered shareholders or persons acquiring the rights during the trading period), (referred to collectively as “Eligible Persons” and individually as “Eligible Person”) may exercise their right to subscribe. During that period, it is not possible to trade in the rights.

- **Self-insurance**: Allocate a regular amount to compensate for the potential risks and losses object of the self-insurance.

- **Share**: the Company’s share.

- **Shareholder or shareholders**: The holders of the Company’s shares for a certain period of time.

- **Shareholders qualified for new shares**: all holders of rights whether registered shareholders or persons acquiring rights during trading period.

- **SOCPA**: Saudi Organization for Certified Public Accountants.

- **Solvency Margin**: the increase in the Company’s assets convertible into cash over the Company’s obligations and liabilities.

- **Statutory Reserves**: the percentage to be deducted from the Company’s net profits as provided for under article 15 of the Cooperative Insurance Companies Control Law.

- **Stock Exchange**: Saudi Stock exchange.

- **Strategic Partner**: UCA Bahrain (an exempted Bahraini closed joint stock Company), operating in the insurance industry for more than 30 years and owning 9,100,000 shares of the Company’s share capital equivalent to 32,5 % of the Company’s total shares. The Company has entered into an agreement with UCA Bahrain, by which it has acquired the insurance portfolio in KSA as of 31 December 2008 at goodwill of 78.40 billion SAR as adopted by SAMA with related insurance assets and liabilities.

- **Subscriber:** Every person subscribing for the offer shares.

- **Subscription Application Form**: The application form filled and submitted by the subscriber to the receiving agent to purchase the offered shares.

- **Surplus Distribution**: Method by which excess profit of insurance and reinsurance companies is distributed among Policyholders.

- **S&P**: Standard and Poor's, an American Company specialized in credit rating and development of rating indicators for the financial markets performance in different world markets in addition to providing analysis and studies to more than 2000 internationally listed companies.

T

- **Tadawul**: The Automated Saudi Arabian Stock Exchange

- **Technical Allocations**: Amounts deducted by the Company and allocated to cover its financial obligations.

- **Trading Period of Rights**: the period of time commencing with the first Offering period on Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until the end of the day on Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.), during which registered shareholders, individual or institutional investors may trade in rights.

- **Trading Price of the Right:** It is the price at which the right is being traded, knowing that such price is function of the offer and demand on the market; therefore it may differ from the indicative value of the right**.**

U

- **Underwriter**: ALISTITHMAR Capital

- **Underwriting Agreement**: The underwriting agreement between the Company and the Underwriter as for the shares offered for subscription.

W

- **Written Premiums**: The total premiums paid to insurance companies against of specific risks according to the terms of insurance policies signed with the Company's customers.

2- Risk Factors

Investing in the shares is suitable only for investors capable of evaluating the investment benefits and risks, and who has the financial means to bear any incurred loss. In the event of doubt, the prospective investor should seek the advice of an authorized advisor for the acquisition of shares and other securities.

Prospective investors should carefully consider all the risk factors described below before deciding whether to purchase the Offer Shares. The risk factors described below are not inclusive of all the risks that the Company may encounter; there could be other risks currently unknown to or considered immaterial by the Company, which may preclude its operations. The Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected if any of the following risks, actually occur or become material. The occurrence of any of these risks could cause the value of the Offer Shares to materially decrease and prospective investors may lose all or part of their investment.

2-1 Risks relating to the Company's Operations

2-1-1 Adequacy of Reserves

As per the article 69 of Regulations of the Cooperative Insurance Companies control Law, the Company shall maintain adequate provisions to meet and cover financial obligations as below:

- Unearned Premium Reserves
- Unpaid Claims Reserves
- Claim Expense Reserves
- Incurred But Not Reported ("**IBNR**") Claims Reserves
- Unexpired Risk Reserves
- Catastrophe Risk Reserves
- General Expenses Reserves

The process of estimating reserve liabilities is a difficult and complex exercise and involves many variables and subjective assumptions. Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid Insurance Policy claims, the Company cannot determine precisely the amount, which would ultimately be paid to settle these liabilities. The assumptions upon which reserve calculations are based may also be revised as additional experience or data become available, as new or improved methodologies are developed, as loss trends and inflation claims impact future payments, or as current laws or interpretations thereof change.

In addition, the relatively short history and the limited amount of data on the Saudi insurance industry in terms of claims experience may affect the Company's capability to establish actuarial assumptions for certain products, such as health care insurance products.

As a result, the reserves established for future insurance policy claims may prove to be insufficient and the Company then will need to increase reserves. An increase in loss reserves may reduce the net income and, if large enough, will have a material adverse effect on its business, financial condition and results of operations.

2 - 1 - 2 Non-Satisfactory investment returns

The Cooperative Insurance Companies Control Law imposes certain restrictions on the Company's investments that must vary to reduce the risk of volatility or loss of part of its value. Given the diversity in investments imposed by regulation in addition to the low returns on cash deposits to the lowest level, the Company is not expected to achieve significant growth in its investment portfolio and therefore limits the Company's ability to cope with any unexpected increase in insurance claims that are not covered by reserves.

If the Company fails to succeed in the management of liquidity in the short term, they may have to liquidate their investments at some times at unfavorable prices, which could have a material adverse effect on the financial position of the Company and results of operations. Management of these investments requires an effective administrative system and high ability to choose quality and diversity of investments. However, any failure in this regard may result in decrease of the Company's revenues and subsequently its shareholders' equity.

2 - 1 - 3 Related Parties

The Company is engaged in a variety of transactions with related parties, including its Directors and Founding Shareholders. The Company contracted with Hassan Al Mahassni Law Firm, represented by Mr. Hassan Mahassni, the chairman of the Company, to benefit from various legal services for one year as of 16/4/2014 G.

The Company also contracted with **Claims and Risks Services Ltd (CARS)** wherein the non-executive director Mr. Salman Salem Mohamed Bin Laden has an interest of 5%, for the latter to provide administrative services for the insured employees beneficiaries of individual and collective health insurance plan, between 01/01/2014 G. and 31/12/2014 G.

However, there can be no assurance as to the terms of those transactions or that all of the Company's transactions will be considered by Shareholders to be in their best interests. Please refer to the "Certain Relationships and Significant Related Party Transactions" section.

2-1-4 Litigations, Claims and Regulatory Action

In the ordinary course of its business, an insurer may pursue litigation claims against third parties and may also have litigation claims filed against it. Some of these claims could result in the Company having to pay substantial compensations that could adversely affect insurers' financial position or results of operation.

Until this date, there is only one claim against the Company for payment of a total of SAR 8,450,000, as well as compensations for other damages which are not yet estimated. The claim was registered on 12/04/1435 H. corresponding to 12/02/2013 G. (Pease refer to section 10-10 titled "Disputes & Litigations" for further details).

It is possible that insurers may be subject to future reviews or inspections at any time by the regulator in charge of supervising the activities of the Company. The Company cannot predict the scope or outcome of any such reviews, investigation, or proceeding (if it was to occur) and cannot assure that such reviews would not result in any change which would have adverse impact on the Company's results or financial condition.

2-1-5 Risks related to insurance operations

Any error in predicting or calculating the risks encountered by the Company may have adverse negative material impact on its results or financial condition.

There are certain risks related to the Company's failure to obtain future reinsurance services in the market. Any failure to secure reinsurers' services in the future, to settle timely due payments or to comply with the provisions of the rein-

surance agreement, may adversely affect the Company's position.

2-1-6 Policies of managing and monitoring risks

In drawing the policy of risk management and control, the Company relies on the regulations of the Cooperative Insurance Companies Control Law, as well as on the Company's regulations related to risk management (subject to a monthly assessment). The failure to implement or update this policy, or to obtain sufficient data for making timely decisions, may subject the Company to various risks, including the non–compliance with the regulations of Cooperative Insurance Companies Control Law and to the risk management regulations, leading to severe sanctions including the withdrawal of the Company's license.

2-1-7 Unpredictable Catastrophic Events

The Company's property and casualty insurance operations expose it to claims arising out of, among other events, hailstorms, floods, wind, fires, explosions and industrial accidents.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Catastrophes are often hard to predict. Although the Company attempts to manage exposure to catastrophic events through underwriting controls and Reinsurance, catastrophic events are inherently unpredictable and the actual nature of such events when they occur could be more frequent and severe than contemplated in the Company's pricing and risk management expectations. Claims related to catastrophes could cause substantial volatility in financial results of the Company for any fiscal quarter or year and severe catastrophic events could have a material adverse effect on the Company's financial condition and results of operations.

2-1- 8 Risk of non-renewals of Existing Policies

The Company's Insurance Policies are generally short term in nature. If actual renewals of the Company's existing contracts with Policyholders do not meet expectations, the Company's premiums written in future years and its future results of operations could be materially adversely affected.

2-1-9 Risk relating to Information Technology, Operational Systems and Infrastructure

The inability of the Company's information systems to issue periodic financial reports to senior management of the Company or to the Saudi Arabian Monetary Agency could expose the Company to the risk of the lack of response in the form required for insurance business variables as well as non-compliance with regulations and rules.

There can be no assurance that the Company's business activities would not be interrupted or materially impacted in the event of a partial or complete breakdown of any of the main information technology or communications systems. In addition any unauthorized access, computer viruses or other events with security consequences could affect the business of the Company and lead to reputational damage.

The Company may also be affected if a client, counterparty or third party with whom it does business, suffers a serious breakdown or security breach in its information or communication systems. Equally, clients, counterparties and third parties may suffer damage if the Company's information or communication systems break down or are breached.

2-1-10 Employee Misconduct or Error

The Company cannot guarantee that it can always deter or prevent employee misconduct, such as fraud, intentional error, and failure to document transactions properly and to obtain proper internal authorization, and to fully train employees to prevent unintentional errors. As a result, employee misconduct or error could result in violation of law by the Company, regulatory sanctions, financial liability and/or serious damage of reputation to the Company. The Company cannot guarantee that employee misconduct or error will not materially and adversely affect its financial condition and

results of operations.

2-1-11 Dependence on Key Personnel

Key personnel of the Company play an important role in the success of the Company's business and its success and future prospects will depend to a large extent on its ability to recruit and retain high quality personnel.

There can be no assurance that the Company will be able to find, or find in a timely manner, qualified replacements for individuals or to attract and retain additional qualified personnel as and when needed.

Furthermore, competition for personnel with relevant expertise is intense in the market due to the scarcity of qualified individuals. In order to retain skilled and qualified individuals, the Company may need to offer higher compensation and other benefits. The Company is not insured against the detrimental effects to its business resulting from the loss or dismissal of key personnel and it can provide no assurance that it will be able to attract and retain key personnel that will help to achieve business objectives. The business of the Company may be adversely affected by the loss of services of one or more members of key personnel in the short to medium term which could lead to a disruption of the Company's operations and adversely impact the Company's business prospects, financial condition, or results of operations.

Many of the Company's key personnel working in Saudi Arabia are not Saudi nationals. Under Saudi law, non-Saudis may not engage in any work in Saudi Arabia without an appropriate governmental work permit. The Company's success may depend in part on the continued services of key personnel in Saudi Arabia. No assurances can be given that any work permit will be issued or, if issued, renewed upon the expiration of the relevant term. It is possible that Saudi Arabia could change its laws or policies in a way that would make it more difficult for non-Saudis to obtain work permits.

2-1-12 Saudization

According to the directives of the Ministry of Labor and the provisions of the Cooperative Insurance Companies Control Law, insurance companies should maintain a Saudization percentage above 30% of its total manpower. However, there are no guarantees that the Company will maintain the Saudization level in place.

Non-compliance with Saudization requirements may entail a range of sanctions including suspension of applications for employment visas. The operations of the Company and its expansion may be adversely affected due to non-compliance with Saudization requirements.

2-1-13 Reinsurance Risk

The Company cedes a portion of its premiums to its Reinsurers in exchange for their agreement to assume a portion of the Company's losses under the policies it writes. Reinsurance makes the assuming Reinsurer liable to the Company to the extent of the risk ceded, but it does not relieve the Company of its primary liability to the policyholders as the direct insurer. As a result, the Company is exposed to credit risk with respect to its Reinsurers.

In addition, as per the Implementing Regulations, the Company must select a reinsurer with a minimum of BBB rating from Standard & Poor's ("**S&P**") or its equivalent rating from a recognized international rating organization. If the Company wishes to do business with a reinsurer that is not rated by any international rating Company nor has a rating less than the minimum requirement mentioned above, the Company should obtain prior written approval from the SAMA. Failure to comply with applicable requirements of Implementing Regulations could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

2-1-14 Source of funds

The future capital requirements of the Company depend on many factors, including its ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. The Company may need to raise additional funds through financings or curtail its growth and reduce its assets. Any equity or debt financing, if available at all, may be on terms that are not favorable to the Company. In the case of equity financings, shareholders' equity could be diluted. If the Company cannot obtain adequate capital, its business, results of operations and financial condition could be adversely affected.

2-1-15 Arrangements with other parties

The Company, in its due course of business, has entered into distribution and cooperation agreements with third parties. In such agreements the Company depends on the party's ability to meet their contractual obligations. No assurance can be given as to extent of such third parties' meeting of their obligations, which may in turn adversely affect the Company's financial condition, prospective, cash flow and operational results.

2-1-16 Competition

The Company is likely to find itself operating in an increasingly competitive environment, which could adversely impact its operating margins. In accordance with the latest information from SAMA, the number of licensed insurance companies has reached 35 and they are in severe competition to increase their market share.

Competition in the insurance industry is based on many factors, including premiums charged, terms and conditions of coverage, services provided, financial ratings assigned by independent rating agencies, claims services, reputation, perceived financial strength and the experience of the insurance Company. The Health Insurance Council has initiated an integrated regulation for medical insurance which all operating insurance companies are required to comply with. This is likely to increase competition in the medical insurance sector and this may adversely affect the profit margins.

There can be no assurance that the Company will be able to achieve or maintain any particular level of premiums in this competitive environment. The increased competitive pressures may materially and adversely affect the business of the Company, its prospects and financial condition by:

- Reducing Market Share
- Reducing Margins and Spreads
- Hindering the Growth of the Company's Customer Base
- Increasing Turnover of Management and Sales Personnel
- Elevating Operating Expenses, such as Sales and Marketing Expenses
- Increasing Policy Acquisition costs

2-1-17 Protection of trade marks

The Company has submitted an application to the Department of Trademarks at the Ministry of Commerce and Industry for registering its trademark under 36 category related to "insurance services, financing and real estate affairs". This application was registered under Number 1435020062 dated 1/11/1435 H. However, up to this date, the trademark has not been registered at the Company's name, nor finally protected.

The Company's competitive position depends in part, on its ability to use its name and logo in marketing campaigns, as well as on regulations that promote its services, programs and products. The non-ability of the Company to prevent its rights violation in the kingdom may adversely affect its trademark and increase its operations cost, materially affecting its operational results.

2-1-18 Risks Related to the Company's Losses

The Company has reported losses of SAR 78.25 Million as of 31 December 2013 G. which amounts to 28% of its share capital. There is no guarantee that the Company will not continue to suffer losses, and if that happens, the Company will be subject to a number of laws and regulations in the Kingdom. The CMA's regulations regarding the listed companies which suffered losses, has specified the following:

- **The Company's losses exceeding 50% and less than 75% of its share capital:**

In this event, the Company should immediately announce to the public the amount of cumulated losses, their percentage of the share capital and the factors leading to the loss, with the Company's compliance with any related procedures or instructions.

The CMA adds a sign next to the Company's name on its website referring to the percentage of the cumulated losses. The Company should also announce to the public at the end of each month (according to the calendar used in calculating its fiscal year) its financial statements prepared by the management, no later than ten days following the end of each month. It should also inform the public upon adjusting its situation, by reducing its cumulated losses below 50% of the share capital, provided the announcement include the procedures carried out by the Company to adjust its position. The announcement comes with the report of the certified accountant that highlights the Company's financial position after adjusting its situation.

Upon the Company's announcement of adjusting its situation according to the previously mentioned terms, the CMA removes the sign added next to the Company's name.

- **The Company's losses exceeding 75% and less than 100% of its share capital:**

In this event, the Company should immediately announce to the public the amount of cumulated losses, their percentage of the share capital and the factors leading to the loss, with the Company's compliance with any related procedures or instructions.

The Company's shares trading will be suspended for one trading session following the announcement previously mentioned. The CMA adds a sign next to the Company's name on its website, referring to the percentage of the cumulated losses. The Company should also announce to the public at the end of each month (according to the calendar used in calculating its fiscal year) its financial statements prepared by the management, no later than ten days following the end of each month. The CMA removes the previously mentioned sign to instantly sell and purchase the Company's shares upon the reducing of the cumulated losses below 75% of the Company's share capital and the ending of two full fiscal years, each of them not less than 12 months.

The listing of the Company's shares is cancelled 30 days after the occurrence of any of the following:

- The Company's failure to elaborate the required plan.

- The ending of the two fiscal years following the fiscal year during which the Company's cumulated losses exceeded 75% of its share capital without adjusting the Company's situation by reducing its cumulated losses below 75% of its share capital or the Company's failure to achieve operational profits and cash flow for the last fiscal year.

- **The Company's losses exceeding 100% of its share capital:**

In this event, the Company should immediately announce to the public the amount of cumulated losses, their percentage of the share capital and the factors leading to the loss, with the Company's compliance with any related procedures or instructions.

The CMA adds a sign next to the Company's name on its website, referring to the percentage of the cumulated losses and the shares trading will be suspended. The Company's board of directors should develop a plan for adjusting the Company's situation and announce it to the shareholders in a period not exceeding 90 days following the announcement, observing the provision of article 148 of the Companies Law.

The Company should also announce to the public at the end of each month (according to the calendar used in calculating its fiscal year) its financial statements prepared by the management, no later than ten days following the end of each month. The Company's shares may be traded during the suspension period, through the Security depository center, in accordance with CMA applicable norms.

The CMA removes the previously mentioned sign to instantly sell and purchase the Company's shares upon the reducing of the cumulated losses below 75% of the Company's share capital, and the lapse of two financial years each of 12 months minimum (following the year provided the financial year during which the losses reached 75% or more of the Company's share capital), provided the audited annual financial statements show operational profits and cash flow for the last fiscal year.

The listing of the Company's shares is cancelled 30 days after the occurrence of any of the following:

- The Company's failure to elaborate the required plan.

- The ending of the two fiscal years following the year during which the Company's cumulated losses exceeded 100% of its share capital without adjusting the Company's situation by reducing its cumulated losses below 75% of its share capital (provided it includes the period previously mentioned in article 4) or the Company's failure to achieve operational profits and cash flow for the last fiscal year.

The Companies Regulations state that where a joint stock Company has suffered losses amounting to 75% of its share capital, the Board of Directors must call for an extra-ordinary general assembly meeting to decide whether the Company should continue or dissolve it before its term. Should UCA continue to suffer losses and if at such extra-ordinary general assembly, the shareholders decide to dissolve the Company, then prospective investors could lose all or part of their investment, or the Company's share could be suspended by the Authority in the event that losses exceed 75% of its share capital.

2-1-19 Zakat and Income Tax

In accordance with Zakat and Income Tax Department, the Company is subject to the Zakat as for the shareholding percentage of Saudi shareholders and to the income tax as for the shareholding percentage of foreign shareholder.

Zakat and income tax are due and respectively added on the list of changes of Saudi and foreign shareholders rights. Any additional due amounts (if any), will be calculated upon fixing such amounts.

The Company cannot guarantee that Zakat and income tax regulations do not change in the future, and any increase in the income tax percentage may affect the Company's profitability.

2-1-20 Credit risks

The Company encounters credit risks when any of the parties fails to meet a certain financial obligation, resulting in financial losses for the other party. The Company may also encounter credit risks in the event of reinsurers' failure to regulate existing claims or of unearned premiums, or the failure of other parties to meet their obligations towards the Company, or the failure of the companies where the shareholders assets are being invested. The unexpected market conditions and the non-compliance of reinsurers with claims regulations adversely affect the Company, its financial position and operations results.

2-1-21 Exchange risks

Exchange risks are the result of financial investments fluctuations due to the change in foreign exchange. Companies often encounter exchange risks when dealing with international parties in their currency. Company's operations are done in Saudi Riyal, its sales resulting from insurance policies being limited to the Saudi cities. In the event that the Company collects any amounts from its sales or foreign dealings in foreign currency, it may encounter exchange risks and any unexpected major fluctuations in exchange may adversely affect the Company's financial performance.

2-1-22 Risks of operations concentration

The Company's insurance operations concentrate on motor and health insurance representing more than 94% of the net written premiums for 2013 G. Any adverse impact on any of these operations may affect the Company's operations, prospects, results and financial situation.

2-2 Risks Relating to the Market and Regulatory Environment

2 - 2 - 1 Cooperative Insurance Companies Control Law and Implementing Regulations

Insurance business in Saudi Arabia is subject to Cooperative Insurance Companies Control Law and the Implementing Regulations thereof issued by SAMA, which is the main Saudi government body responsible for regulating the insurance sector and is responsible for policies and regulations, licensing, competition, investment allocation, service standards, technical standards and settlement arrangements.

The Company's operations must adhere to the provisions of the Insurance Law and Regulations. These laws, rules and regulations may change from time to time. This evolving regulatory framework may limit the Company's ability to implement its business objectives/plans and respond to market conditions. There can be no assurance that applicable laws or the regulatory framework will not change further or be interpreted in a manner that could materially or adversely affect the Company's operations.

Under the Cooperative Insurance Companies Control Law and Implementing Regulations, SAMA has broad powers that include amending, suspending, revoking or not renewing the insurance license or imposing penalties against the Company, if the Company has failed to comply with the Insurance Law and Regulations. Any such action against the Company or affecting the Company or imposition of penalties, could materially and adversely affect the Company's business and financial conditions, prospects or results of operations.

2 - 2 - 2 Withdrawal of Insurance License

The Company has obtained SAMA's license to practice insurance activities on 2/01/1430 H. and has renewed this license for a three-year period that expires on 2/01/1433 H. The Company then submitted an application for license renewal for 3 new financial years. SAMA approved the renewal on 24/12/1432 H., the license new expiry ending on 01/01/1439 H.

Article 76 of the Implementing Regulations states that SAMA has the right to withdraw the license of the Company in the following cases:

- If the Company does not practice its licensed activities for a period of six months from the issuance date of the license;
- If the Company does not fulfill its requirements of the Insurance Regulations;
- If it is established that the Company has deliberately provided SAMA with false information in its licensing application;
- If the Company carries out the licensed activities in a manner that exposes the rights of the Insured, the beneficiary or the Shareholders;
- If the Company becomes bankrupt;
- If the Company deliberately conducts business in a fraudulent manner;
- If the paid up capital of the Company falls below the prescribed minimum limit or the Company does not fulfill the solvency requirements under Article 68 of the Implementing Regulations;
- If the business or volume of the Company's activities in the classes of insurance falls to a limit that SAMA deems unviable for the Company to operate under;
- If the Company refuses or delays payments, due to beneficiaries, without just causes;
- If the Company refuses to be examined or to produce its accounts, records, or files for examination by the inspection team appointed by SAMA; and
- If the Company fails to execute a final judgment against it in connection with any insurance dispute.

Should the license be withdrawn, the Company will not be able to continue to conduct its business legally in Saudi Arabia.

2 - 2 - 3 Reporting Requirements

The Insurance Regulations require the Company to periodically file financial statements and annual reports, prepared on a statutory accounting basis, and other information with SAMA, including information concerning the Company's general business operations, capital structure, ownership, financial condition including, on an annual basis. The Company could be subject to regulatory actions, sanctions and fines if SAMA believes that the Company has failed to comply with any applicable law or regulation.

Any such failure to comply with applicable laws could result in the imposition of significant restrictions on the Company's ability to do business or significant penalties, which could adversely affect the Company's results of operations and financial condition.

2 - 2 - 4 Solvency Requirements

According to Articles 66, 67 and 68 of the Implementing Regulations, the Company has to maintain certain solvency levels for different classes of businesses. The Company's solvency level is affected primarily by the technical reserve that it is required to maintain, which in turn is affected by the volume of insurance policies sold and incurred claims. The Company's ability to effectively manage its risks and suitably price its products to maintain the solvency requirements is a big challenge.

SAMA imposes various remedial actions for the companies that fail to comply with the solvency requirements levels including the following:

- Increase Company's share capital.
- Amend product prices.
- Decrease costs.
- Stop underwriting new policies.
- Liquidate certain assets.
- Any other action deemed appropriate to the Company and approved by SAMA.

SAMA may periodically request additions or amendments to the solvency requirements, which may adversely affect the Company's operations results and financial position through retaining additional allocations.

In case of Company's failure to satisfy the solvency requirements within timeframe set by SAMA and after taking aforementioned actions SAMA may solicit the appointment of a financial advisor to restructure the Company or otherwise withdraw the license.

The solvency margin (amounted to 1.2% as of 30 June 2014 G., which is less than the required gross minimum. The Company is currently undertaking required measures to deal with this situation as stipulated in article 68 of the implementing regulations issued by SAMA (increase in share capital, premiums amendment and costs reduction).

The expected increase in the Company's share capital may reinforce the Company's solvency and coverage of its cumulated losses.

2 - 2 - 5 Restriction on ownership of Insurance Companies

Cooperative Insurance Companies Control Law places certain restrictions on owning shares in insurance companies. According to Article 9 of the Cooperative Insurance Companies Control Law, Articles 9 of the Insurance Law and Article 38 of the Implementing Regulations, insurance or reinsurance companies may not merge with, own, control or purchase shares in other insurance or reinsurance companies without written approval from SAMA. In compliance with article 38 of the implementing regulation, the Company shall notify SAMA of the percentage ownership of any person who owns 5% or more of the Company through a quarterly report, and the person himself shall notify SAMA in writing of his percentage ownership and any changes thereof within 5 working days of the date of occurrence of such an event.

These restrictions may, in some cases, impede the Company's ability to attract financial and strategic investors if SAMA denies or delays timely approval, or places conditions that cannot be implemented, which will in turn adversely affect the Company's operations.

2 - 2 - 6 Compliance with Council of Cooperative Health Insurance Regulations

After being approved by SAMA, the medical insurance products offered by the Company are subject to control by the Council of Cooperative Health Insurance (the "**CCHI**"). The CCHI regulations require the Company to comply with the regulations for Offering of medical products including provision of specialized medical staff to process the approvals within time ceiling not exceeding 60 minutes. These regulations also direct the insurance companies to pay the medical service providers as hospitals and clinics within the timeframe not exceeding 60 days. The Company's non-compliance with CCHI's regulations may entail penalties including withdrawal of the license to provide medical services products which may adversely affect the Company's operations.

2 - 2 - 7 Obtaining Approvals for launching new Products

The Company complies with the cooperative insurance companies control law and its implementing regulations with respect to launching of new products which require prior approval of SAMA. The Company has an initial approval for 22 products on file and use basis and such approvals usually remain valid for 6 months from the date of issue.

Therefore, any delay in obtaining the final approval on any of the new products or in the renewal of current products approvals may adversely affect the Company's operations and consequently its profitability.

Since most of the approvals obtained by the Company are temporary, the Company may face difficulty in renewal or in obtaining the final approvals which may adversely affect the Company's financial results and operations.

2 - 2 - 8 Economic, Political and Industry Conditions

The financial performance of insurance companies depends significantly on economic and political conditions in Saudi Arabia and on global economic and political conditions that affect the economy of Saudi Arabia. Changes in the economic and political conditions can affect the financial results of insurers through their effect on market conditions and investment income and through changes in consumer demand for insurance products and services. In addition, premium and claim trends in insurance and reinsurance markets are cyclical in nature and unpredictable events such as the occurrence of natural disasters, inflationary pressures, competition and judicial decisions may affect the size of future claims and adversely impact the industry's profitability.

The Company cannot predict the impact that future economic, political or legal conditions in KSA or neighboring countries leading to a material adverse impact on the Company's prospects, results of operations, financial position and fluctuations in shares prices.

The Company could not predict any future impacts resulting from changes in economic, political or industry conditions on its business. Future economic and industry conditions may be unfavorable, and as a result there can be no assurance that future conditions will not materially adversely affect the Company's profitability.

2 - 2 - 9 Market growth

Although growth and population rates in the kingdom are expected to increase, the Company cannot guarantee the current growth levels or their future increase.

The impact on the Saudi Arabian insurance industry of certain trends and events, such as the pace of economic growth in Saudi Arabia, and ongoing reform of the social welfare system is generally prospective and is currently not clear. Consequently, the growth and development of the Saudi Arabian insurance market is subject to a number of uncertainties that are beyond the control of the Company.

2 - 2 - 10 Drop in Customers' Confidence

Customers' confidence in the international insurance sector is vital to enhance the sector strength. Any drop in customers' confidence towards insurance sector as general may result in an increase in cancellation of insurance policies and refund of monies which may adversely affect the Company's sales and consequently the financial conditions and operation results of the Company.

2-2-11 Lack of and Importance of Insurance Cultural Awareness in KSA

Insurance plays a significant role in the human life and communities, however, there are risks on society's perception of the insurance sector in general as it sees that the sector does not play a key role or operating under scope of services that do not comply with the principles of solidarity and Sharia and society may lose confidence in the sector and this may adversely affect the Company's business and the percentage of revenue.

2-2-12 Lack of historical data related to insurance industry in KSA

Although the Saudi insurance industry is not a recent one, it was not regulated until very recently. For this reason, necessary information and historical data for elaborating accurate insurance have not been collected nor provided. As a result, insurance companies rely, in estimating losses and premiums, on inaccurate expectations, therefore resulting in increasing risks for insurance portfolios, reducing the profitability or leading to major losses for the Company.

2-3 Risks Relating to the Shares

2 - 3 - 1 Potential Fluctuations in the Share Price

The market price of the Company's Rights during the Offering 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's trends in connection with the Rights or the Company's existing Shares. These fluctuations may also result from several factors including, without limitation, market conditions for equity, any regulatory changes in the insurance sector or conditions and trends of the insurance sector, deterioration in the Company's performance, inability to implement future plans, entry of new competitors, announcements by the Company or its competitors concerning mergers, acquisitions, strategic alliances, joint ventures and sale of shares in the subsidiaries, changes made by experts and securities analysts concerning the financial performance estimates.

Selling substantial quantities of Shares by the shareholders or the perception that such sale may take place, may adversely affect the share price in the market. In addition, the investors may be unable to sell their Shares in the secondary market without adversely affecting the price.

There is no guarantee that the market price of the Company's Shares will not be lower than the issue price. If this happens once the investors have subscribed for the New Shares, such subscription may not be cancelled nor amended; therefore, the investors may immediately suffer from unrealized losses. Moreover, there is no guarantee that the Shareholder will be able to sell his Shares at a price equal or higher than the issue price after subscribing for them.

2 - 3 - 2 Potential Fluctuations in the Price of the Rights

The Rights' market price may be subject to significant fluctuations due to the change of market trends with regard to the Company's Shares. These fluctuations may be significant due to the difference between the authorized limits of price change for trading in the Rights (the "Indicative Value"), as compared to the authorized limits of price change for trading in the Shares (10% up or down). In addition, the trading price of the Rights depends on the trading price of the Company's Shares and the market perception of the potential price of the Rights. These factors and the factors mentioned under the "Potential Fluctuations in the Share Price" above may also affect the trading price of the Rights.

Accordingly, speculation in the rights may result in material losses. In the event that the speculator does not sell existing rights before the end of the trading period, he would be compelled to use such rights to subscribe for new shares, incurring potential losses. Therefore, investors should be aware of all details regarding the rights listing and trading and of all influencing factors, to reach an investment decision based on full awareness.

2 - 3 - 3 Lack of Demand for the Company's Shares and Rights

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 new investor) to sell the Rights and realize a profit, or enable him to sell these Rights at all. There is also no guarantee that there will be sufficient demand for the Rump Shares by the Institutional Investors during the Rump Offering. In case the Institutional Investors do not subscribe for the Rump Shares at a high price, the compensation amount may not be sufficient in order to be distributed to the holders of unexercised Rights.

Moreover, there can be no assurance that there will be sufficient market demand for the New Shares obtained by an Applicant either (a) through subscription to the Rights, (b) during the Rump Offering or (c) in the open market.

2-3-4 Potential dilution of ownership

If the holders of the Rights do not fully exercise their Rights with respect to the acquisition of New Shares in the Offering, their shareholding percentage and voting rights will be reduced. In case the registered holder of the Rights wishes to sell his Rights during the Trading Period, there can be no assurance that its returns will be sufficient to fully compensate the drop of its shareholding percentage in the Company's capital resulting from the Company's capital increase.

2-3-5 Failure to Exercise the Rights in a Timely Manner

The subscription period will start on Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) and end Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.). The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions and receive their certificates prior to the expiry of the subscription period. If the holders of the Rights and the financial intermediaries are not able to properly follow the procedures for the trading of the Rights, the Subscription Application Form may be rejected (See Section 13 "Subscription Terms and Conditions").

If the Eligible Persons are not able to exercise their subscription rights properly by the end of the Second Offering 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.

2-3-6 Effective Control by the Founding Shareholders

Although the 3-year lock-up period has elapsed, following the initial Offering of the Company's shares in 2008 G., a major founding shareholder, United Cooperative Assurance ("**UCA**") still holds 32.5% of the Company's issued Shares. Collusion of this shareholder with any other shareholders may entail influence on all matters requiring Shareholder approval, including significant corporate expenditures and the appointment of directors (except as prescribed by Articles 69 and 70 of the Companies Regulations, and Article 18 of the Corporate Governance Regulations). As a result, the Founding Shareholders may exercise their powers in a manner that could have a significant effect on the Company's business, financial condition, and results of operations.

2-3-7 Dividends

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company, general economic conditions, and other factors that the Directors of the Company deem significant from time to time.

Increase in capital may lead to dilution in the value of existing shares which may affect the Company's share market price.

Although the Company intends to pay annual dividends to its shareholders, the Company does not make any assurance that any dividends will actually be paid nor any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the Company's By-Laws and subject to SAMA's approval (Please refer to the "Summary of the Company's By-Laws" section).

2-3-8 Risks Related to Expiry of Lock-up Period

Upon listing of the Company's shares on the Saudi Stock Exchange "**Tadawul**" on 18/06/1429 H. (corresponding to 22/06/2008 G.) the Founding Shareholders whose aggregate shareholding was 60% of the Company's total shares were restricted from selling their Shares in the Company for a period of 3 full fiscal years elapsed after the announcement of the financial results for fiscal year 2011 G. and the founding shareholders have the right to dispose their shares after obtaining the approval of SAMA and CMA. Any further selling or buying of shares by the founding shareholders may affect the Company's share value.

2-3-9 Risks related to prospective data

Some data contained in this Prospectus represent prospective data; however they could not guarantee any prospective performance. Such data enclose known and unknown risks and other factors affecting the actual results and thus the Company's performance and accomplishments. There are many factors that may affect the actual performance of the Company, leading to different results. If any of such risks occur, actual results may differ from those contained in this Prospectus.

2-3-10 Potential issue of new shares

The Company does not intend to issue any new shares in the near future. However, if the Company decides to increase its share capital through the issue of new shares, this may result in reducing current shareholding percentages, in the event that existing shareholders refrain from exercising their rights when issuing new rights and decide to sell a large number of shares, which may depreciate the recently issued shares.

3- Market Overview

3-1 Source of Information

In this Prospectus, information and data regarding economic figures and insurance industry have been obtained from different sources believed to be reliable: (1) the Company's estimates and expectations, (2) data and analysis related to the insurance industry obtained from third parties sources available to the public. The Company has made all reasonable inquiries as to the accuracy of the information obtained from these sources. While neither the BMG Financial Group nor the Company's advisors whose names appear in page i/j/k of this Prospectus, have a 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. Since such sources are made available to the public, the approval of the information providers has not been obtained to include their names in this Prospectus and (3) Reports and data published by the following authorities:

a. SAMA

SAMA is the central bank of the Kingdom of Saudi Arabia, which was established in 1952 G. The main functions of SAMA include:

- Issuing the National Currency.
- Acting as a Banker to the Government.
- Supervising Commercial Banks.
- Managing the Kingdom's Foreign Currency Reserves.
- Conducting Monetary Policy to Promote Price and Exchange Rate Stability.

The information obtained from the report regarding the study of the insurance market in Saudi Arabia for the year 2013 G. prepared by SAMA is publicly available and obtainable; therefore no consent has been pursued to use such information.

b. Saudi Ministry of Economy and Planning

MEP was established in 1390 H. (1970 G.). Its key functions include the allocation and use of available resources for development and infrastructure purposes, the supervision of the Saudi economy development import and export and the Setting up of major development plans as to comply with the vision of Saudi decision makers.

Below are the MEP Key Functions:

- Submit a periodic economic report on the Kingdom.
- Elaborate the Kingdom's Five Year Development Plan.
- Estimate the total amount necessary for the implementation of development plans.
- Carry out economic studies entrusted with by various governmental institutions.
- Collect, analyze and publish statistical data and information related to various social, economic and demographic fields.
- Assist other governmental institutions in matters related to planning and statistics.

- Provide technical advice as per the directives and request of the Custodian of the Two Holy Masjid King Abdullah and supervise the process of population and houses census in the Kingdom.

- Collect, analyze, classify and use statistical data from other governmental institutions in preparing various statistical Prospectuses.

The information obtained from the Ministry of Economy and Planning for 2013 G. is publicly available and obtainable; therefore no consent has been pursued to use such information.

c. Report of Swiss Reinsurance Company ("Swiss Re")

An international pioneer Company in re-insurance founded in 1863 in Zurich, Switzerland with operations in more than 25 countries around the world. The Company issues reports on insurance sector all over the world and these reports are available for the public in its website.

The information obtained from Swiss Re as used in this Prospectus is publicly available and can be obtained via the internet and therefore consent to use their reports in the Prospectus has not been sought.

d. Tadawul

Tadawul is an information diffusion system operating through different channels among which the Tadawul website and electronic link which provide instant market data and allow investors to make the proper investment decision. No consent to use Tadawul data about companies' share parts is being sought; information is publicly available on Tadawul website.

3-2 Saudi Economy at a Glance

Saudi Arabia's economy has maintained its robustness in recent years, driven by government spending and per capita expenditure and investments. Although the rate of growth of real GDP recorded 4% in 2013 G., the economic growth rate remained much below, compared to 2012 G., due to a slight decrease in oil production and prices.

The oil industry witnessed in 2013 G. a shortfall by 1% compared to 2012 G., and turning to SAR 232.6 billion.

However, this shortfall in the oil sector was made up by non-oil sectors which grew by 5.2%. Worthy to note that the private sector largely contributed in real GDP by 66%, recording a growth of 5.8% in fixed prices, which highlights the major role of private companies and institutions in the Saudi economy.

Figure 3-1: Economic Indicators (KSA)

	2009	2010	2011	2012 (Amended)	2013 (Preliminary Estimates)
Nominal GDP (SAR billion)	**1609.1**	**1975.5**	**2510.7**	**2752.3**	**2806.7**
Nominal GDP Growth	-17.4	22.8	27.1	9.6	2.0
Real GDP (1999- SAR billion)	**993.3**	**1067.1**	**1158.5**	**1225.9**	**1274.3**
Private non-oil sector	633.5	696.2	749.7	794.0	839.6
Public non-oil sector	152.5	162.9	175.9	185.3	190.6
Oil sector	197.1	197.4	221.9	234.9	232.6
Real GDP growth (%)	**1.8**	**7.4**	**8.6**	**5.8**	**4.0**
Growth in private sector (%)	5.0	9.9	7.7	5.9	5.8
Growth in public sector (%)	5.0	6.8	7.9	5.3	2.9
Growth in oil sector (%)	-8.8	0.2	12.4	5.8	-1.0

Gross Fixed capital formation (1999)	**339.6**	**389.1**	**438.3**	**446.3**	**465.7**
Gross Fixed capital formation growth (%)	-6.2	14.6	12.6	1.8	4.3
GDP per capita- Total population (SAR thousands)	60.4	71.7	88.5	94.3	93.6
Total population in mid of the year (million)	26.66	27.56	28.38	29.20	29.99
Saudi	18.54	18.97	19.41	19.84	20.27
Non-Saudi	8.12	8.59	8.97	9.36	9.72
Total Labor (thousand)	**8148.0**	**8834.9**	**9935.5**	**10136.4**	**10634.7**
Saudi	3837.9	3955.2	4143.1	4251.7	4631.2
Non-Saudi	4310.1	4879.7	5792.4	5884.7	6003.5

Source: Ministry of Economy and Planning.

The Saudi economy witnessed a substantial growth in 2012 G. due to outstanding developments and accomplishments. Indeed, the kingdom has undergone regulatory and organizational reforms aiming at achieving a sustainable economic growth, through diversifying the economic structure and increasing the contribution of non-oil sectors in Gross GDP.

Moreover, the Kingdom continued its expansion operations in 2012 G., the announced expenditure volume reaching SAR 690 billion compared to previous years, being a major oil producer at the OPEC. The Kingdom may also benefit from global demand for oil. In this regard, the Kingdom plans at increasing oil production and refining are expected to reinforce the economic growth.

Figure 3-2 Some economic indicators

	2009	2010	2011	2012
(Estimates of Saudi Population (million	26.66	27.56	28.37	29.20
(GDP Growth at Current Prices (SAR billion	1609	1975	2510	2666
Actual Public Income	509.8	741.6	1117.8	1247.4
Actual Oil Revenues	434.4	670.3	1034.4	1144.8
Actual Public Expenditure	596.5	653.9	826.7	873.3

Source: annual report of SAMA for 2012 G.

3-2-1 Economic shift

The Saudi economic approach has witnessed a radical shift, whereby the public sector contribution was progressively replaced by the private sector, due to the strategic trend followed by the government. In this respect the Saudi government has increased the contribution of the private sector to the national economy, through encouraging and supporting privatization.

3-3 International insurance markets

3-3-1 Insurance market overview

The insurance industry in the MENA is still in its nascent stages, compared with other advanced world economies. Proof of this is the low penetration and density rates, low capitalization rates, and to some extent weakness of legislative regulations of the insurance sector compared to the more developed economies.

During the past five years the insurance sector witnessed strong growth rates. Although these growth rates are important, the region still has a long way to go before becoming a mature insurance sector. We expect that the movement of MENA countries economics, government's efforts to develop legislative regulations and increased investments will

have a positive impact on the insurance sector and ensure continuous growth in the coming years.

The insurance sector of Saudi Arabia is characterized by the increase in the number of companies and availability of various options. Thanks to this development the total premiums are growing fast and industry competition is rapidly changing.

Figure 3-3: Insurance sector for MENA, 2012

Country	Gross Written Premiums (SAR Billion) 2012	Gross Written Premiums (SAR Billion) 2013	Annual Increase Percentage	% of Global Market 2013
Algeria	5.172	5.401	4.4%	0.03%
Bahrain	2.385	2.580	8.2%	0.01%
Egypt	7.610	6.980	3.5%	0.04%
Jordan	2.464	2.573	4.4%	0.01%
Kuwait	3.390	3.570	5.3%	0.02%
Lebanon	4.906	5.532	12.8%	0.03%
Morocco	11.316	11.927	5.4%	0.07%
Nigeria	6.158	6.987	13.5%	0.04%
Oman	3.214	3.551	10.4%	0.02%
Qatar	5.021	5.516	9.9%	0.03%
KSA	21.176	23.855	12.6%	0.14%
South Africa	203.914	202.999	0.45%	1.17%
Tunisia	3.041	3.113	2.4%	0.02%
UAE	26.835	29.851	11.2%	0.17%

Source: Swiss Re

3-4 Insurance industry in KSA

3-4-1 Historical overview

The insurance industry in KSA has, till very recently, suffered from the absence of regulatory authorities, resulting in 150 insurance companies registered abroad, and operating in the kingdom as global brokers or insurance agents for the private sector and personal insurance industry in KSA. Most of these companies have been registered in Bahrain since 1980 G., and are operating in KSA through the agency system. Therefore, with the absence of a legislator and regulatory framework in the kingdom, policyholders had no regulatory coverage to protect them and preserve their rights. All these factors led to the long-awaited reforms which are expected to contribute in the development of the insurance industry in KSA.

The insurance industry has focused since 1970 G. on public insurance revenues and infrastructure projects which were largely controlled by foreign companies. In 1985, the concept of cooperative insurance was adopted, and the first registered insurance Company to be established in the kingdom was the United Cooperative Assurance Company UCA, after obtaining the approval of SAMA in 1405 H. (corresponding to 1984 G.), to operate according to the Sharia.

As for SAMA, it currently regulates the organization and supervision of the insurance industry, the elaboration and implementation of authorization criteria for insurance companies.

The new law requires insurance companies to be registered and authorized in the kingdom as joint stock companies, in order to exercise insurance operations in the kingdom. New laws do not only apply on insurance companies, but also on reinsurance companies, brokers, agencies and losses adjustment offices.

3-4-2 Cooperative Insurance Companies Control Law and Implementing Regulations

The Cooperative Insurance Companies Control Law was approved by Royal Decree number M/32 dated 2/6/1424 H. setting the basis for the legal framework and supervision of the insurance sector. SAMA was appointed to act as a regulator and responsible body for the supervision of the insurance sector.

Subsequently, the Implementing Regulations were issued by Ministerial Decree Number 1/596 dated 1/3/1425 H. (corresponding to 20/4/2004 G.) to govern the insurance business in Saudi Arabia.

Some of the basic features of the Cooperative Insurance Companies Control Law and its Implementing Regulations are as follows:

- Insurance activities within Saudi Arabia must be carried out by insurance companies established and registered in Saudi Arabia and operated in a "Cooperative/Takaful" manner consistent with the principles of Islamic Law and Jurisprudence.
- Applicant insurer/reinsurer must be a joint stock Company, established primarily to engage in insurance and/or reinsurance activities with direct insurers having a minimum capital of one hundred million Saudi Arabian Riyals (SAR 100,000,000) and reinsurers having a minimum capital of two hundred million Saudi Arabian Riyals (SAR 200,000,000).
- Gross premiums written should not exceed ten times the amount of the paid up capital of the Company.
- Direct insurers must retain at least 30% of total gross written premiums within the Kingdom of Saudi Arabia.
- 90% of the net surplus must be transferred from insurance operations to the Shareholders' income statement and the balance of 10% must be distributed to the policyholders either directly or in the form of a future reduction in premiums.
- Direct insurers must reinsure a minimum of 30% of total gross written premiums within the Kingdom of Saudi Arabia.

3-4-3 latest developments

The number of insurance companies operating in Saudi Arabia had reached 35 companies. The local Insurance sector had witnessed a transitional period where existing companies that have not applied for a license have to obtain licenses from SAMA in accordance with the Cooperative Insurance Companies Law (2003) or else exit the market, the grace period having ended on 9th April 2008 G.

The number of listed insurance companies has reached 35 companies as stated hereunder:

Companies listed in Tadawul as of 30/08/2014 G.:

1. National Company for Cooperative Insurance
2. Mediterranean & Gulf Cooperative Insurance & Reinsurance ("Med Gulf")
3. Malath Cooperative Insurance & Reinsurance Company
4. Al-Ahlia for Cooperative Insurance
5. Al-Ahli Takaful Company ("ATC")

6. SABB Takaful Company
7. Arabian Shield Cooperative Insurance Company
8. Saudi IAIC for Cooperative Insurance (“SALAMA”)
9. Gulf Union Cooperative Insurance Company
10. Saudi Fransi Cooperative Insurance Company (“Allianz SF”)
11. Sanad Insurance & Reinsurance Cooperative Company (“SANAD”)
12. Trade Union Cooperative Insurance Company
13. Al Sagr Company for Cooperative Insurance
14. Saudi Indian Company for Cooperative Insurance WAFA
15. Arabia Insurance Cooperative Company
16. Saudi United Cooperative Insurance (“Wala’a”)
17. BUPA Arabia for Cooperative Insurance
18. Saudi Re for Cooperative Reinsurance Company
19. United Cooperative Assurance (“UCA”)
20. Saudi Arabian Cooperative Insurance Company (“SAICO”)
21. Allied Cooperative Insurance Group (“ACIG”)
22. Wiqaya Takaful Insurance & Reinsurance Company
23. Al Rajhi Company for Cooperative Insurance
24. AXA Cooperative Insurance Company
25. Ace Arabia Cooperative Insurance Company
26. Buruj Cooperative Insurance Company
27. Al Alamiya for Cooperative Insurance
28. Gulf General Insurance Company
29. Solidarity Saudi Takaful Company
30. Wataniya Insurance Company
31. Amana Cooperative Insurance Company
32. Saudi Enaya Insurance Company
33. Tokyo Marine Saudi Arabia
34. Jazira Takaful Cooperation Company
35. MetLife AIG ANB for Cooperative Insurance

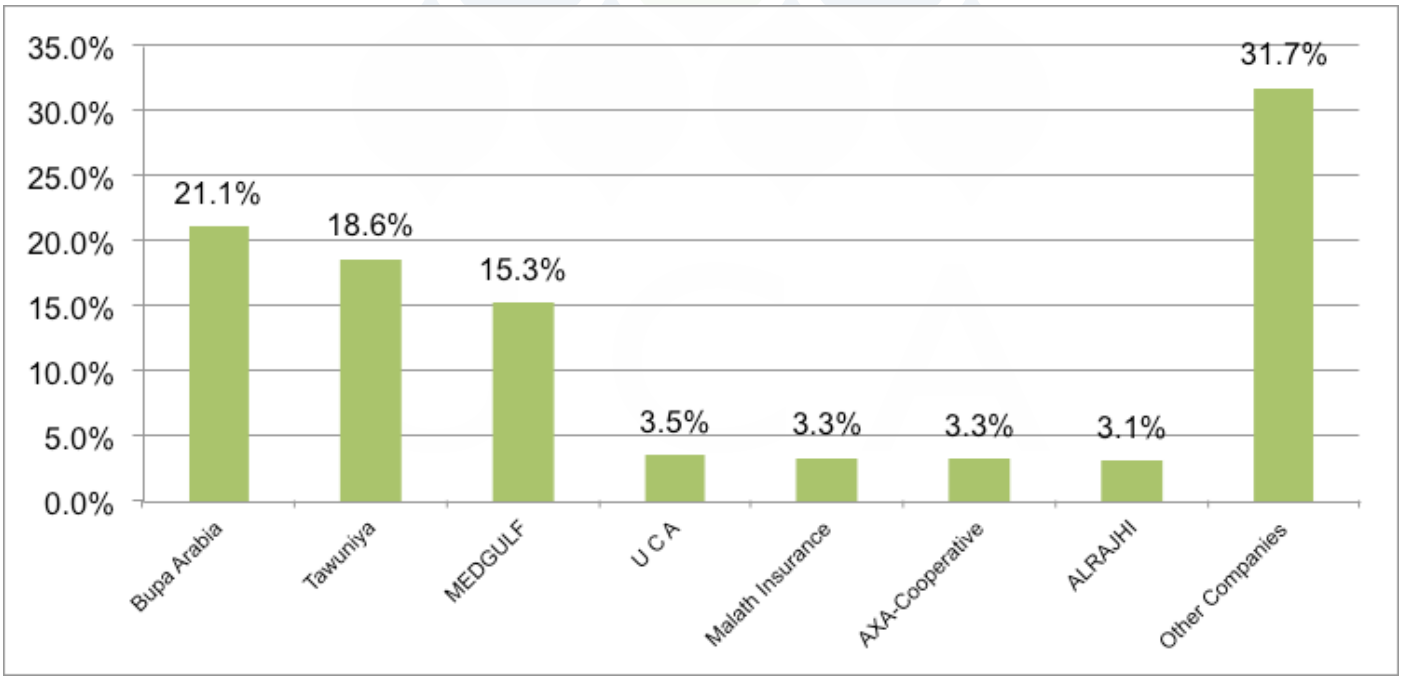
The distribution of the market share of major insurance companies in Saudi Arabia, according to insurance written premiums on 30/09/2014 G.

Figure 3-4 Market share of major insurance companies in KSA as of 30/09/2014 G.

Company	Gross Written Premiums (SAR Thousands)	Market Share %
BUPA	4,919,066	21.1%
TAWUNIYA	4,345,581	18.6%
MEDGULF	3,565,557	15.3%
UCA	828,147	3.5%
Malath Cooperative Insurance & Reinsurance Company	777,802	3.3%
AXA	761,747	3.3%
ALRAJIHI	727,285	3.1%
Trade Union Cooperative Insurance Company	608,394	2.6%
SAICO	547,459	2.3%
WALAA	547,459	2.3%
Arabia Insurance Cooperative Company	527,662	2.3%
Saudi Re for Cooperative Reinsurance Company	522,324	2.2%
Saudi Fransi Cooperative Insurance Company ("Allianz SF")	518,326	2.2%
Arabian Shield Cooperative Insurance Company	376,863	1.6%
Wataniya Insurance Company	362,133	1.6%
Other Companies	3,396,106	14.6%
Total	**23,331,910**	**100%**

Source: Tadawul

Figure 3-5 the market share of insurance companies in the Kingdom on 30/09/2014 G.



Source: Tadawul

3-4-4 General Market Overview

The insurance market in KSA has witnessed a substantial growth of 19.2% with gross written premiums amounting to SAR 25.2 billion in 2013 G. compared to SAR 21.2 SAR billion in 2012. This growth is due to the substantial economic growth in the kingdom and the implementation of compulsory insurance in both health and motor insurance.

Health insurance premiums ranked at the first place as the biggest insurance activity in 2013 G., and the total health subscribed premiums decreased from 53% in 2012 G. to 51% in 2013 G., while the General Insurance contribution to the insurance sector increased to 46% for the same year.

Gross health written premiums increased by SAR 4 billion, reaching SAR 25.24 billion in 2013, compared to SAR 21.2 billion in 2012, achieving a growth of 19.2%.

Figure 3-6: Gross written premiums in KSA

SAR (Million)	2011	2012	2013
Protection & Saving	905	889	845
Health Insurance	9.708	11.285	12.895
General Insurance	7.890	9.000	11.500
Total	18.504	21.174	25.239

Source: SAMA

Figure 3-7: Insurance depth of GDP market

Line of Business	2011	2012	2013	% change 12-13
gross General Insurance	0.36%	0.33%	0.41%	24.7%
Health Insurance	0.45%	0.41%	0.46%	11.5%
Protection & Saving	0.04%	0.03%	0.03%	7.2%
Total	0.86%	0.78%	0.90%	16.3%

Source: SAMA

Insurance Density

Insurance density is defined as gross written premium per capita (total subscribed premium divided by the number of the population). The insurance density in Saudi Arabia increased from SAR 725 per capita in 2012 G. to SAR 864 per capita in 2013 an increase of 19.2%.

Figure 3-8: Saudi Insurance density

SAR	2011	2012	2013	%change 12-13
Gross General Insurance	291	308	394	27.8%
Health Insurance	358	386	442	14.3%
Protection & Saving	33	30	29	5.0%
Total	682	725	864	19.2%

Source: SAMA

3-4-5 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. Management believes that these developments are expected to be along the following lines:

- The insurance market is likely to become more attractive to many insurance companies, due to the demand growth in insurance industry.

- The non-Protection & saving market is expected to become less fragmented in the future. Massive competition may result in lower premiums and lower profits. Under such competitive conditions, consolidation by mergers is likely to occur.

- The enforcement of the mandatory medical insurance for expatriates and the implementation of a similar system covering Saudis will significantly increase the customer base of insurance companies.

- New insurance products may be launched in the market due to the dynamic changes in operating activities of the companies. As a result, consumers may have more options and choices.

- Companies are expected to be financially stronger as a result of mandatory reserves.

- Due to the increased awareness amongst consumers, it is expected that protection and saving insurance will achieve a wider spread.

4- The Company

4-1 Company's background

4-4-1 the United Cooperative Assurance Company (UCA)

The United Cooperative Assurance Company is a public Saudi joint stock Company, registered in KSA under the Commercial Registration Number 4030179955 and in accordance with the decision of the Council of Ministers Number 94 dated 14/03/1428 H. corresponding to 1/04/2007 G. and Royal Decree Number M/24 dated 15/03/1428 H. corresponding to 2/04/2007 G. and approving the establishment of the Company in accordance with the Companies Law issued by Royal Decree No M/6 of 22/3/1385 H., the Cooperative Insurance Companies Control Law issued by Royal Decree Number 32 dated 2/06/1424 H. and with its implementing regulations issued by decision of the Council of Ministers Number 1/596 dated 1/03/1425 H.

The Company's headquarters is in Jeddah, Khaldiyah District, Rawda Street, Al Mukmal Tower. Its share capital is SAR 280,000,000 (two hundred and eighty million Saudi Riyal), consisting of 28.000.000 shares (twenty eight million shares).

The Company has no intention to undertake any material changes to its activity that may affect the Company's profitability. Moreover, the Company has not undergone any interruption in its operations affecting its financial position during the last 12 months or that may affect it in the future.

4-2 Key History

- The Company's Founding Shareholders obtained the license to establish the Company based on the Royal Decree Number M/24 dated 15/03/1428 H. (corresponding to 2/04/2007 G.) and the decision of the Council of Ministers Number 94 dated 14/03/428 H. (corresponding to 1/04/2007 G.).

- Initial Public Offering of the Company's shares on 30/02/1429 H. (corresponding to 8/03/2008 G.).

- The initial Offering shares were listed on Tadawul on 18/06/1429 H. (corresponding to 22/06/2008G.)

- Commencement of insurance business on 1/01/2009 G.

- The Company increased its share capital from SAR 200,000,000 to SAR 280,000,000 by way of granting two free shares for each five shares, upon the approval of the extraordinary general assembly in its meeting dated 17/08/1434 H. (corresponding to 26/06/2013 G.).

- The Company Obtained SAMA's approval to increase the Company's capital share by SAR 210 mil-

lion through the issue of the rights under letter Number 351000126033 dated 9/10/1435 H. (corresponding to 5/08/2014 G.).

4-3 Share Capital Structure

The Company's share capital was set in its by-laws at SAR 200,000,000 (two hundred million Saudi Riyal) consisting of 20,000,000 (twenty million) shares of 10 SAR each.

Upon the Company's establishment, the founding shareholders have subscribed for 60% of the Company's share capital. i.e. a total of 12,000,000 shares (twelve million shares) and fully paid their value amounting to SAR 120,000,000, (one hundred and twenty thousand Saudi Riyal) in cash as deposited in SAMBA. As for the remaining 40%, it was offered for public subscription.

The Company's share capital was increased by 40% to become SAR 280,000,000 (two hundred and eighty thousand Saudi Riyal), consisting of 28,000,000 shares (twenty eight million shares) of SAR 10 each, upon a decision of the Extraordinary General Assembly Meeting dated 17/08/1434 H. (corresponding to 26/06/2013 G.).

The Company has no affiliates in the kingdom, or any branches or affiliates outside the kingdom; therefore there are no shares or debt instruments issued for any affiliates.

UCA Insurance Bahrain is the only major shareholder in the Company, owning 9,100,000 shares (nine million one hundred thousand shares), representing 32.5% of the Company's shares. There is no other shareholder who owns more than 5% of the Company's shares.

Figure 4-1 Shareholders who own 5% or above

Shareholders	No of Shares	% ownership
UCA Insurance Bahrain	9,100,000	32.5%

Source: The Company

Overview on the founding shareholder and strategic partner, UCA Insurance Bahrain, closed joint stock Company

UCA Insurance Bahrain is a closed joint stock Company established in 1992 G, with a share capital of USD 4,000,000, equivalent to SAR 15,000,000. The current announced share capital amounts to USD 28,000,000, equivalent to SAR 105,000,000. UCA became a Bahraini closed joint stock exempted Company[1] in 2011 G. UCA does not operate in or outside Bahrain, its only investment being the share it holds in the Company which amounts to SAR 9,100,000.

The strategic partner has no intention to sell its share or to exit from the Company.

4-4 Employees and Saudization

The Company has 608 employees, 47% of them are Saudi nationals, as of the end of 2013 G. The Company com-

1

mits to develop its human resources and to employ Saudi qualified youth, in the light of the requirements of the Saudi Labor Law and the Cooperative Insurance Companies Control Law and its implementing regulations.

Figure 4-2: Employees per departments between 2011G. – 2013 G.

Department	Total Employees Number			Saudi Employees			Non-Saudi Employees			% of Saudi Employees		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Branch Manager	6	6	6	4	4	4	2	2	2	66.7%	66.7%	66.7%
Marketing & Sales	337	384	298	208	248	164	129	136	134	61.7%	64.6%	55.0%
Claims	98	125	107	57	77	56	41	48	51	58.2%	61.6%	52.3%
Financial Management	63	62	65	23	22	24	40	40	41	36.5%	35.5%	36.9%
HR and Administrative Affairs	36	40	38	16	22	15	20	18	23	44.4%	55%	39.5%
Health Insurance	24	27	29	9	11	12	15	16	17	37.5%	40.7%	41.4%
General Insurance	25	25	27	6	6	6	19	19	21	24%	24%	22.2%
Compliance & Legal Affairs	4	11	15	-	1	5	4	10	10	00.0%	9.1%	33.3%
Information Technology	11	11	13	1	1	2	10	10	11	9.1%	9.1%	15.4%
Executive Manager Office	1	1	2	-	-	-	1	1	2	00.0%	00.0%	00.0%
Reinsurance	4	5	5	-	-	-	4	5	5	00.0%	00.0%	00.0%
Risks &Strategy Management	2	4	3	-	1	-	2	3	3	00.0%	25%	00.0%
Total	611	701	608	324	393	288	287	308	320	53%	56%	47.4%

The increase of the employees' number between 2010 G. and 2012 G. is mainly due to the rapid growth of the motor insurance industry, requiring the increase of sales and claims employees in order to cope with such growth. However, by 2013 G., the Company decided to reduce motor insurance operations due to negative results which led to sales and claims employees' reduction to 608 employees in 2013 G.

4-5 The Company's Mission and Strategy

4-5-1 The Company's Vision

The Company aims to become one of the best local insurance companies in KSA, as for customers' service, long term partnership with brokers and highly professional business management.

4-5-2 The Company's Mission

The Company's mission is to increase awareness and develop a basic understanding for cooperative insurance concept in KSA, as well as to build a successful partnership with customers, agents and staff.

4-5-3 The Company's Strategy

The compulsory implementation of the cooperative insurance in both health and motor sectors highly impacts the growth rates of insurance sector, associated with a rapid growth of insurance operations in the kingdom and a large increase in competition as for services quality in the past period. This is due to the attempt of new insurance companies to develop their operations on the local market, resulting in some stress on profit margin of such companies.

The Company strongly believes in competing on the local market, based on its high quality services, successful business record and large expertise in the insurance sector in KSA.

The Company expects a substantial growth for the following years, based on a strong strategic customer's base and on large companies it has been dealing with since its establishment.

The Company will keep up on its geographic expansion and deployment in the Kingdom to serve all segments of the society through the branches and points of sale in major cities and regions across the Kingdom, as to include a new and diversified customer's segment, whether companies or individuals, and meet the cooperative insurance requirements, especially in the medical and motor fields. The Company aims to maintain high credibility towards its customers by providing them with appropriate support in getting the various cooperative insurance products that fit their daily requirements and is also keen to increase diversity in the target customer base composing thus a balanced and stable base for future profitable partnership between clients and shareholders.

4-6 The Company's Competitive Profile

4-6-1 A constant and stable customer's base consisting of major companies in KSA.

The Company has maintained a stable customers' base consisting of major companies in KSA. In this respect, the customers' retention rate has exceeded, since the Company's establishment, 65% of the Company's total operations. This would provide the Company with a minimum of annual written premiums.

4-6-2 Large expertise on the Saudi market exceeding 30 years.

The Company has a large expertise on the Saudi market resulting from the acquisition of UCA Bahrain portfolio (with more than 30 years of expertise). This is a unique competitive feature allowing the Company to attract a larger number of customers and to develop a new and innovative range of products.

4-6-3 Wide geographical spread in various Saudi regions

The Company has a network of 7 regional branches in Saudi major cities, and of 140 sale points spread over the Saudi regions and providing direct services to its customers, reaching a broad customers segment. The figure below shows the sale points spread in several regions of the Kingdom.

Figure 4-3: Number of sale points spread over the kingdom regions in 2013 G.

Region	Number of Sale Points
Central Region	29
Al Qasim	16
Northern Region	12
Western Region	30
Southern Region	31
Eastern Region	11
Medina	11
Total	**140**

4-7 The Company's activities

- **Accident and liability insurance**:

a) Individual Accident Insurance

b) Workman Compensation Insurance

c) Employer Liability Insurance

d) Third Party Liability Insurance

e) General Liability Insurance

f) Product Liability Insurance

g) Medical Liability Insurance

h) Professional Liability Insurance

i) Burglary Insurance

j) Fidelity Insurance

k) Money at Insured Premises and Money In Transit Insurance

l) Any other Insurance Related to Liability Insurance.

- **Motor Insurance**: ınsurance under this policy covers all losses and liabilities related to vehicles excluding transportation risks.

- **Property Insurance**: Insurance under this policy covers all losses if caused by fire, burglary, explosions, natural disasters, troubles and any other related loss within this section.

- **Marine Insurance**: Insurance under this policy covers insurance on goods transported by sea, vessel structures and responsibilities and any other insurance within this section.

- **Aviation Insurance**: Insurance under this policy covers aircraft and liability towards passengers and third parties and air transported goods, and any other insurance within this section.

- **Energy Insurance:** Insurance under this policy covers all oil and petro chemical installations and other power installations and any other insurance within this section.

- **Engineering Insurance**: Insurance under this policy covers all risks related to contractors, as well as electrical and electronic installations and all damage incurred by machinery, and any other insurance within this section.

- **Other General Insurance Sections**: Includes all general insurance branches not mentioned above.

- **Health and Protection Insurance**: Covers all medical expenses, medicine and drugs, all medical services, equipment and management of medical programs. It also covers medical errors and assistance in travel.

- **Reinsurance**: The Company is ready to accept optional insurance operations from local companies registered in KSA only, in accordance with the Royal Decree. However, it may accept selected operations from the gulf market upon the approval of SAMA.

Currently, the Company does not have any plans for the launch of new products.

4-8 Development of products

There is no dedicated department or team for the development of the Company's products, the development of the non-medical products (policies) being the responsibility of the operations executive manager. As for the development of medical products, it is the responsibility of the vice chairman of medical insurance. There are no periodic plans for products development, the latter being continuous. As for the products design and development, they are function of the customer's requirements, taking into consideration the terms of the reinsurance agreement and laws and regulations related to insurance activity.

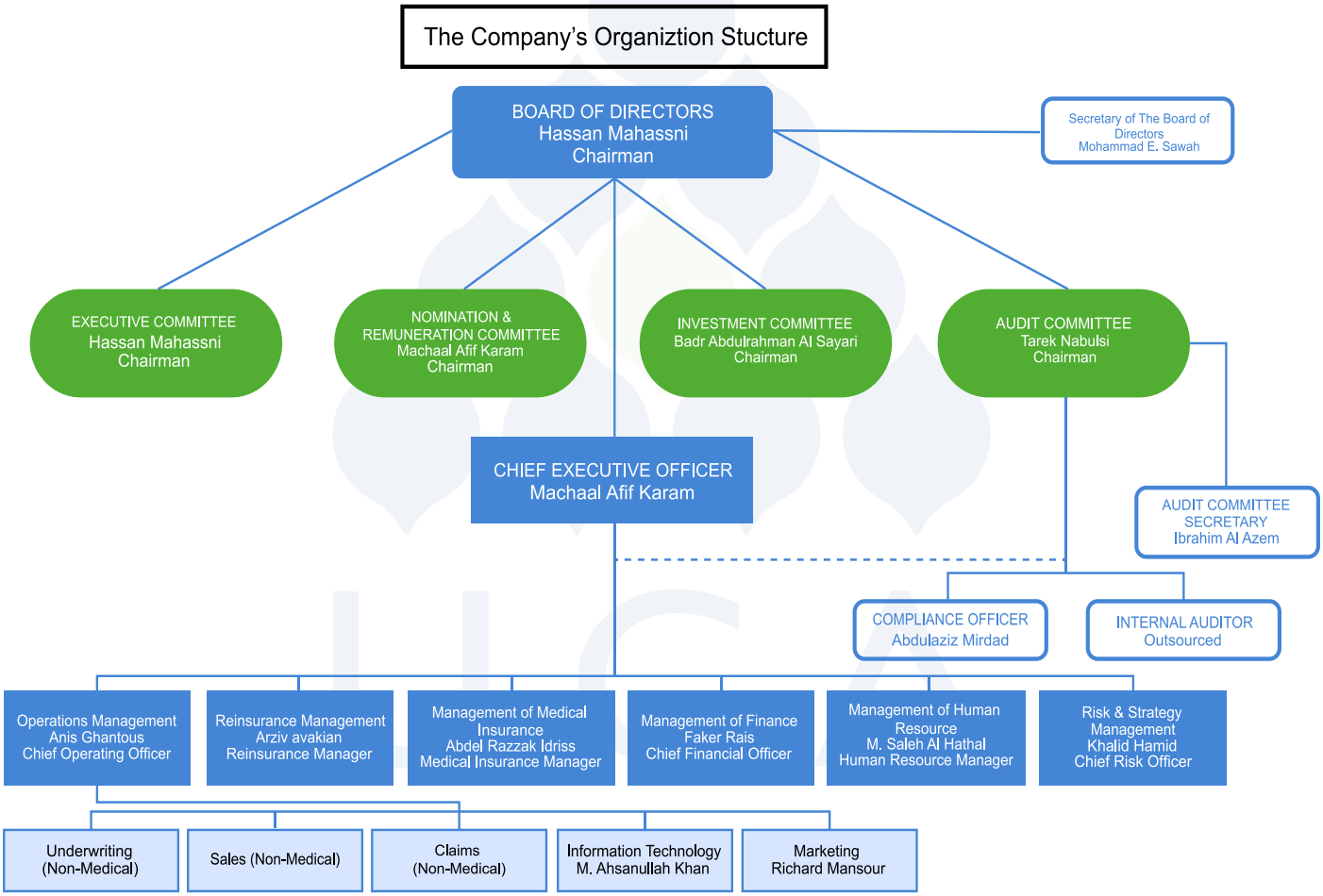
5- The Company's Organization and Governance

5-1 Organization Structure

The Company has a modern organization structure covering the various administrative functions such as sales, distribution and operations, aimed at optimizing performance.

The following figure summaries the Company's organization structure:

Figure 5.1: The Company's Organization Structure



5-2 Board of Directors

Taking into consideration the powers granted to the General Assembly, the board of directors ("The Board" or the "Board of Directors") has large powers in managing all Company's affairs. The Board may, within the limits of its powers, delegate one or more of its members or any third party to assume a specific function or operation.

The Company is managed by a Board of Directors comprising seven (7) Directors appointed by the Ordinary General Assembly. The Board of Directors has appointed 4 sub-committees including an executive committee, an audit committee, a nomination and remuneration committee and an investment committee. These committees will extend the role of the Board of Directors in reviewing The Company's activities and providing guidance to its management.

The primary responsibility of the Board of Directors is to ensure long-term success of the Company. This includes, among other things, the following:

- Selecting, compensating and supervising, when the need arises, replacing senior management and other executive directors in the Company;

- Planning the substitution process in the Company;

- Orienting, Reviewing and guiding corporate strategy, risk management policies, financial planning, annual budgets and business plans as recommended by the Company's management;

- Setting performance objectives;

- Overseeing major capital expenditure;

- Monitoring and managing potential conflicts of interest of senior management, members of the Board of Directors and the Shareholders;

- Ensuring the adequacy of the Company's internal accounting and financial reporting systems, including the support of the Company's independent audit functions;

- To ensure the efficiency of the internal control systems and the preparation of financial statements and provision of support for external audit and insurance of the application of appropriate internal control systems specifically for monitoring risk, financial control and implementation of relevant laws and regulations;

- Monitoring practices and the effectiveness of corporate governance practices; and

- Overseeing the process of corporate public disclosure and communications.

Figure 5-1: Members of the Board of Directors

Board members

	Name	Nationality	Date of birth	Position	Shareholding	Status	Date of Designation[1]	Representation
1	Hassan Mohammed Shawkat Mahassni	Saudi	10/10/1934	President	280,000	Non-Executive	.H 01/07/1435 .G 30/04/2014	
2	Salman Salem Mohamed Bin Laden	Saudi	19/09/1977	Vice president	141,540	Independent	.H 01/07/1435 .G 30/04/2014	
3	Badr Abdurrahman Al Sayari	Saudi	26/10/1965	Director	1,000	Independent	.H 01/07/1435 .G 30/04/2014	
4	Khalid Hossain Ali Reza	Saudi	08/04/1968	Director	34,000	Independent	.H 01/07/1435 .G 30/04/2014	
5	Sami Sadaka Sendi	Saudi	06/03/1954	Director	2,100	Independent	.H 01/07/1435 .G 30/04/2014	
6	Tarik Hashim Al Nabulsi	Saudi	09/12/1961	Director	1,000	Independent	.H 01/07/1435 .G 30/04/2014	
7	Machaal Afif Karam	Lebanese	01/07/1955	Executive Director	-	Executive	.H 01/07/1435 .G 30/04/2014	Represents UCA Insurance Bahrain

Source: the Company

In this respect, Mr. Khalid Hossain Ali Reza and Tarik Hashim Al Nabulsi were appointed as new directors at the board in the general assembly meeting of the shareholders held on 01/07/1435 H., corresponding to 30/04/2014 G. A new commercial register for the Company has been extracted, including the names of the new directors, knowing that the Company has obtained from SAMA all necessary approvals for appointing the new directors.

Brief profiles of the members of the Board of Directors of UCA are shown below:

Name and Age	**Hassan Mohammed Shawkat Mahassni- 81 years**
Nationality	Saudi
Position	Chairman
Date of first appointment	19/04/2008 G.
Education	• B.A. in Law from Damascus University (Syria) in 1957 • Degree in Economic Sciences from Damascus University (Syria) in 1957 • Law practice license from the Ministry of Justice in KSA in 1424 H.
Work experience	• He practiced legal profession and consultancy in KSA through its law and legal consultancy firm since 1957 G. • Legal consultant to the Saudi Ministry of Foreign Affairs till 1970 G.
Other Directorships	N/A

Name and Age	**Salman Salem Mohamed Bin Laden- 37 years**
Nationality	Saudi
Position	Vice Chairman
Date of first appointment	19/04/2008 G.
Education	• Philosophy Degree from Tufts University (USA) in 2001 G.
Work Experience	• Currently, General Manager of Salman Salem Mohamed Bin Laden Foundation in KSA since 2005. • Vice General Manager at METCO (Middle East Trading and Contracting Co.) in KSA since 2006 G. ((Limited Liability Company operating in retail trade of construction material and contracting).
Other Directorships	• Partner and manager since 2013 G. at Power Systems Specialist Company KSA (a Limited Liability Company operating in power systems) • Manager of Al Fetra (الفطرة) Saudi Company for trade and contracting since 2013 G. (limited liability Company operating in the contracting business)

Name and Age	**Khalid Hossain Ali Reza- 49 years**
Nationality	Saudi
Position	Director
Date of first appointment	26/06/2014 G.
Education	• B.A in business management from Southern University in California (USA) in 1990 G. • Masters in marketing from Pepperdin University in USA in 1994 G.
Work experience	• Manager of financial planning at Haji Husein Alireza & Co. Ltd since 1999 G. (Limited liability Company operating in automobile and vehicle trading). • Managing director at Al Wasila Company for car rent (Hertz) since 2003 G. to date (limited liability Company operating in car rent field) • Partner at Husein Alireza & Co. Ltd since 2008 G. and till this date, and director since 1999 G. and till this date (limited liability Company operating in automobile and vehicle trading)
Other Directorships	• Partner at Reda Investment Company Ltd since 1976 till this date (limited liability Company operating in design and construction, health care services, industrial products, contracting business) • Director at Wasila Company for car (Hertz) rent since 2003 (a limited liability Company operating in car rental field) • Director at NATCOM (National Computer System Company limited) in KSA since 1999 to date (limited liability Company operating in computer system)

Name and Age	**Machaal Afif Karam- 58 years**
Nationality	Lebanese
Position	• Chief Executive Officer, delegated director, member of executive committee, chairman of nomination and remuneration committee and member of the Company's investment committee.
Date of first appointment	19/04/2008 G.
Education	• Sessions in advanced engineering insurance in 1997 G. • Sessions in senior management of insurance companies in 1991 G. • Post-graduate diploma in insurance and reinsurance sciences from UK in 1982 • Degree In commerce from Lebanon in 1979
Work experience	• Professional expertise exceeding 35 years, during which he occupied many supervision, management, reinsurance and investment positions • Chief Executive Officer of UCA in KSA since 2008 (a joint stock Company listed on Tadawul and operating in insurance business)

Other Directorships	• Director at Najm Insurance Services in KSA since 2010 (limited liability Company operating in insurance business) • Director at UCA Bahrain since 1994 (Bahraini closed joint stock Company operating in insurance business).

Name and Age	**Badr Abdurrahman Al Sayari- 50 years**
Nationality	Saudi
Position	Director and Chairman of the Investment Committee
Date of first appointment	26/06/2011
Education	• B.A in accounting in 1987 from KSA • Expertise exceeding 25 years in the accounting, management and investment business
Work experience	• Executive Investment Manager at AL Faisaliah Group since 2010 (holding joint stock Company operating in food, technology, entertainment and chemical products business) • Director at Al Jusoor United Holding Company since 2010 (holding Company operating in industrial transportation and heavy equipment)
Other Directorships	• Director at Al Jazira Capital in KSA since 2013 (a joint stock closed Company specializing in securities operations).

Name and Age	**Sami Sadaka Sendi- 60 years**
Nationality	Saudi
Position	Director and chairman of Nomination and Remuneration Committee
Date of first appointment	26/06/2011
Education	• B.A in Sciences, industrial management, in 1978 from King Fahd University of Petroleum and Minerals in KSA.
Work experience	• General manager at Mawaddah for Hajj and Umrah in KSA since 2010 till 2014 (limited liability Company operating in Umrah services) • Expertise in companies management exceeding 25 years • Director at Mawaddah for Hajj and Umrah since 2010 till 2011, chairman of the group since 2011 till 2013 (limited liability Company operating in the provision of Umrah services)
Other Directorships	• Director at Nesma Holding in KSA between 2011 and 2014 (holding Company of limited liability operating in tourism, travel, communication and technical equipment business)

Name and Age	**Tarik Hashim Al Nabulsi- 53 years**
Nationality	Saudi
Position	Director and member of Reviewing Committee
Date of first appointment	26/06/2014
Education	• B.A in Industrial Engineering from King Fahd University in KSA in 1985. • Masters in Systems and Information from George Washington University (USA) in 1988 • Training seminars certificate in corporate strategies and governance
Work experience	• Senior Executive at METHAQ in KSA since 2012 (limited liability Company operating in investment business) • Vice CEO of ELAF Group in KSA between 2007 and 2012 (limited liability Company operating in hotel and tourism business) • 15-year work expertise, with many positions among which chairman of EJADA Systems Company Limited and director at Tarfih United Company, limited liability Company.
Other Directorships	• Chairman of Ejada Systems Company in KSA since 2013 (limited liability Company operating in the IT services and solutions business) • Director at Achievements Technology Fund in KSA since 2004 and till this date (closed joint stock Company operating in IT and communication business) • Director of Arab Entertainment Company in KSA since 2011 (limited liability Company operating in restaurant industry) • Partner at the Institute for Sustainable Growth (limited liability Company/Development center)

Name and Age	**Mohammed Eid Sawah- 67 years**
Nationality	Syrian
Position	Board Secretary
Date of first appointment	19/4/2008
Education	• B.A in Commerce, Accounting Section, from Damascus University in 1973

Work experience	• Head of Accounts at United Commercial Agencies Co. Ltd (commercial Company of limited liability operating in various sectors) in 1974 for 5 years. In 1979 he became head of the accounting department, and in 1992 financial manager at the same Company for 25 years.
Other Directorships	NA

5-3 Direct and Indirect Interests of Directors and Major Persons

Directors whose names are mentioned below have direct and indirect interests in the Company represented by an ownership of the Company's shares or of shares in other companies that own shares in UCA. No other directors or executive managers or board secretary or any of their relatives have any direct or indirect interest in the Company up to the date of this Prospectus.

Figure 5-2: Direct or indirect Shareholding of directors, executive managers and relatives in the Company

Name	Number of owned or allocated shares	of direct % shareholding	of indirect % shareholding	Total share-holding
Hassan Mohammed Shawkat Mahassni	280,000	1%	NA	1%
Salman Salem Mohamed Bin Laden	141,540	0.51%	NA	0.51%
Machaal Afif Karam	NA	NA	NA	NA
Khalid Hossain Ali Reza	34,0000	0.12%	NA	0.12%
Tarik Hashim Al Nabulsi	2,100	0.00008%	NA	0.00008%
Sami Sadaka Sendi	1,000	0.00004%	NA	0.00004%
Badr Abdurrahman Al Sayari	1,000	0.00004%	NA	0.00004%

5-4 Corporate Governance

The Company is committed to practicing and implementing the highest standards of corporate governance that are fully compliant with the Corporate Governance Regulations issued by CMA under Board and any amendments thereto.

The Company's Board of Directors believes that good governance is a clear indication of the Company's success and the Company's commitment to practicing good corporate governance takes form in its implementation of a clear framework for transparency and disclosure ensuring that the Board of Directors acts in the best interests of the Shareholders and presents a true and fair report of the Company's financial condition and results of operations.

The Company has also approved and adopted a policy for conflict of interests as well as criteria for appointment of directors as well as elaborated disclosure procedures.

The Company is fully compliant with applying all rules and regulations issued by the regulatory and supervisory authorities.

5-4-1 Committees of the Board of Directors:

The Board of Directors will form committees to enable it to perform its duties in a more effective manner. In forming such committees, the Board of Directors will comply with corporate governance regulations in Saudi Arabia and all other applicable laws.

Executive Committee

The Executive Committee is in charge of assisting the CEO or the delegated director in the daily management of the Company's operations and business. The Board of Directors delegates all required powers to the Executive Committee that are necessary to perform its function in accordance with the Company's By-Laws and applicable law, provided, however, that the Executive Committee's exercise of such delegated powers conforms to the Company's overall policies and procedures and the specific instructions and guidelines imposed on the Executive Committee by the Board of Directors.

The Executive Committee comprises the following members:

1- Hassan Mohammed Shawkat AL Mahassni: Committee Chairman

2- Salman Salem Mohamed Bin Laden: Non Executive

3- Machaal Afif Karam: Chief Executive Officer

Please refer section 5.2 titled "Board of Directors" for the profiles of the above committee members.

Below a table showing the number of meetings held by the executive committee during the last 3 years

Year	2011	2012	2013
Number of meetings	1	4	4

Audit Committee

The chairman of the audit committee and other members are appointed by the board of directors. The Audit Committee comprises a minimum of three members, including a specialist in financial and accounting matters. The General Assembly issues, as per the board of directors' suggestion criteria for selecting the audit committee members, their membership and the committee operation policy.

The Board of Directors will review and consider the audit committee's recommendations and evaluate its charter annually. The audit committee will be responsible, among other things, for:

- Supervising the Company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors;

- Reviewing the efficiency of internal controls and procedures executed by the Company's internal audit department and issuing a written report setting out the results of such review and its related recommendations;

- Reviewing internal audit reports and ensuring implementation of corrective measures recommended therein;

- Advising the Board of Directors regarding the appointment, dismissal, and remuneration of external auditors;

- Supervising the activities of the certified auditors and approving their fees

- Reviewing the audit plan with the external auditor setting out all related comments and remarks;

- Reviewing the external auditor's comments on the financial statements and following up on all recommendations concerning the same;

-

The Audit Committee comprises the following members:

1. Tarik Hashim Al Nabulsi

2. Abdallah Salem Al Hiki

3. Ahmad Mohammed Tarboush

Please refer section 5.2 titled “Board of Directors” for the profile of Tarik Al Nabulsi

Name & age	**Abdallah Salem Al Hiki- 44 years**
Nationality	Saudi
Position	Member of the Audit Committee
Education	• Masters in accounting from King Fahd University in 2008 • B.A in accounting from King Fahd University in 2001
Work experience	• Director at Global Company for Industrial Racks (joint stock Company operating in the field of racks manufacture and trade) • Director at Skills Provision Company (limited liability Company operating in the field of training)
Other directorships	• Global Company for Industrial Racks (joint stock Company operating in the field of racks manufacture and trade) • Skills Provision Company

Name & age	**Ahmad Mohammed Tarboush – 34 years**
Nationality	Egyptian
Position	Member of Audit Committee
Date of appointment	26/06/2014 (awaiting for SAMA approval)
Education	• B.A in accounting in 2004 • SOCPA Degree in 2008
Work experience	• CFO in Al Fadel Group (limited liability Company operating in various service sectors)
Other directorship	NA

The following table shows the number of meetings held by the audit committee in the past 3 years

Year	2011	2012	2013
Number of meetings	5	4	

Nomination and Remuneration Committee

The committee will operate in accordance with the charter approved by the Board of Directors. The chairman and the other members of the Nomination and Remuneration Committee are appointed by the Board of Directors in accordance with rules of office, appointment procedure, and other related procedures to be issued by the General Assembly upon the Board of Directors’ recommendations.

The Board of Directors will review and consider the Nomination and Remuneration Committee's recommendations and evaluate its charter annually. The Nomination and Remuneration Committee will be responsible, among other things, for:

- Recommending to the Board of Directors, appointments to membership of the Board of Directors in accordance with the approved policies and standards while ensuring that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership;

- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board;

- Review the structure of the Board of Directors and recommend changes;

- Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the Company's interest;

- Ensure on an annual basis, the independence of the independent members and the absence of any conflict of interest, in case a Board member also acts as a member of the Board of Directors of another Company;

- Draw clear policies regarding the indemnities and remunerations of the Board members and top executives, in laying down such policies, the standards related to performance that shall be followed.

Nomination and Remuneration Committee Members include:

1- Machaal Afif Karam: Chairman

2- Sami Sadaka Sendi

3- Salman Salem Mohamed Bin Laden

Please refer section 5.2 titled "Board of Directors" for the profiles of the above committee members.

The table below shows the number of meetings held by the nomination and remuneration committee during the past 3 years.

Year	2011	2012	2013
Number of meetings	1	1	1

Investment Committee

The investment committee will be responsible for the follow-up and analysis of the Company's investment policy, the most appropriate investment of the Company's money within the rules specified by SAMA and with minimum risks. The investment policy was established and approved by the Board of Directors in full compliance with SAMA regulations and with solvency margin.

The investment committee members include:

1- Khalid Hossain Ali Reza

2- Badr Abdurrahman Al Sayari

3- Machaal Afif Karam

Please refer section 5.2 titled “Board of Directors” for the profiles of the above committee members.

The table below shows the number of meetings held by the investment committee during the past 3 years

Year	2011	2012	2013
Number of meetings	No meeting	4	4

5-5 Declaration of Directors and Senior Executives

The Company’s directors, executive manager, financial manager and board’s secretary declare the following:

- The Company has not declared bankruptcy at any time and has not been subject to bankruptcy procedures

- Except interests mentioned under section “Direct and indirect interests of directors and major shareholders in the Company” of this Prospectus, they, their relatives or affiliates have no direct or indirect interest in the Company’s shares or securities at the time of submitting this Prospectus.

- They or any of their relatives or affiliates have no material interest in any agreement or applicable or prospective written or verbal arrangement entered into at the time of this Prospectus or will be in the future, regarding the Company’s operations.

- The Company’s by-laws and governing regulations do not grant any of the directors or executive chairman or financial manager any voting right regarding any contract in which they or any of their affiliates may have a personal interest, or any voting right on remunerations allowing them or any of their relatives to borrow from the Company.

5-6 Remuneration of Directors and Senior Executives

Compensation of the executive officers and senior managers of the Company are proposed by the nomination and remuneration committee of the Board of Directors and are approved by the ordinary General Assembly in accordance with the Company’s By-Laws and within the limits and related provisions of the Companies Law, Insurance Law, and all other applicable laws and regulations.

Figure 5-3 Total annual remunerations and allowances for board members and senior executives

	2011 (SAR)	2012 (SAR)	2013 (SAR)
Board Members			
Total Annual Remunerations	780,000	1,020,000	900,000
Allowances	57,000	162,000	106,500
Executive Management including CFO			
Total Paid Salaries	3,922,000	3,504,000	3,546,000
Other Remunerations and Allowances Annually Paid	5,500,000	4,078,000	1,128,100
Total Payments	10,259,000	8,764,000	5,680,000

Source: the Company

Total remunerations and allowances for Board Members (for the last 3 years) amounted to:

- SAR 180,000 to the Chairman

- SAR 120,000 to each of the Board Members. Any of the Directors or Senior Executives has ceded

any of their salaries or remunerations.

There are no wages for Board Members or Senior Executives.

The Company's Chief Executive Officer Mr. Machaal Afif Karam entered a labor agreement with the Company on 01/01/2009 in virtue of which Mr. Karam was appointed as the Company's Chief Executive Officer. The agreement's duration is of one year, renewable according to articles 37 and 55 of the labor law, if both parties continue to execute it after its expiry.

In accordance with this agreement terms, Mr. Karam gets an annual fixed compensation in addition to remunerations given to this position.

The Company's Chief Financial Officer Mr. Faker Rais entered a labor agreement with the Company on 27/11/2010, in virtue of which he was appointed as the Company's CFO. The agreement's duration one year renewable according to articles 37 and 55 of the labor law, if both parties continue to execute after its expiry.

In accordance with this agreement terms, Mr Karam gets an annual fixed compensation in addition to remunerations given to this position.

It is worth noting that the above mentioned contracts are subject to the Saudi Labor Law and any arising conflicts will be settled before Saudi competent courts.

5-7 Top executive management of the Company

Figure 5-4: Company' top management

Name	Position	Nationality	Age
Machaal Afif Karam	Delegated Director and Chief Executive Officer	Lebanese	years 58
Anis Riad Ghantous	Chief Operating Officer	Lebanese	years 61
Faker Al Rayes	Chief Financial Officer	Tunisian	years 51
Abdel Razzak Idriss	Medical Insurance Manager	Lebanese	years 61
Muhammad Saleh Al Hathal	Human Resource Manager	Saudi	years 34
Khalid Hamid	Chief Risk Officer	Pakistani	years 52
Arziv B Avakian	Reinsurance Manager	Lebanese	years 62
Abdul Aziz Khaled A. Mirdad	Legal & Compliance Manager	Saudi	years 31

Source: Company

Below the profiles of the Company's executives:

Name and age	**Anis Riad Ghantous- 61 years**
Nationality	Lebanese
Position	Manager of subscription department, Chief Operating Officer, Vice Executive Manager
Date of appointment	January 2009
Education	Business management degree from Deree University- Greece in 1977

Work experience	- Project coordinator for Saudi research and Marketing Group (SRMG) between 1978 and 1980 (limited liability Company operating in the research business) - Worked for Untied Commercial Agencies Company where he occupied different positions (Commercial limited liability Company operating in reinsurance business) - Worked as the manager of the subscription department for UCA between 2001 and 2008 (Bahraini joint stock closed Company operating in the insurance business)
Other directorships	NA

Name and age	**Faker Rais 51 years**
Nationality	Tunisian
Position	Chief Financial Officer
Date of appointment	February 2011
Education	• Masters in insurance management from the Finance and Development Institute in Tunis in 1989 • B.A in Finance and management from Economic Sciences University in Tunis in 1986
Work experience	• Currently occupies since 2011 the position of CFO at the Company (joint stock listed Company operating in the insurance business) • Previously occupied the position of vice chairman/ general manager of Bahrain branch for Point Reinsurance Company between 2001 and 2011 (limited liability Company operating in the reinsurance business) • Also worked for Best Re Tunis between 1989 and 2001 where he occupied many positions including manager of the accounting and statistics department, head of reinsurance department, manager of Northern &western African, Central Asia and MEA (limited liability Company operating in the reinsurance business)
Other directorships	NA

Name and age	**Abdel Razzak Idriss**
Nationality	Lebanese
Position	Medical Insurance Manager
Date of appointment	January 2009
Education	• B.A in business management from AUB, Beirut in 1987 • Number of training seminars in insurance and reinsurance in UK and USA
Work experience	• Worked for UCA in KSA as a manager for medical insurance and life insurance, and in insurance business in general for 27 years
Other directorships	NA

Name and age	**Muhammad Saleh Al Hathal- 34 years**
Nationality	Saudi
Position	HR and administrative affairs manager
Date of appointment	January 2009
Education	• Human Resources degree from Nevada, USA • Number of conferences and training seminars in human resources management
Work experience	• Expertise in human resources in private sector in KSA. Head of the Personnel Department of the Company administrative since 2009
Other directorships	NA

Name & age	**Khalid Hamid- 52 years**
Nationality	Pakistani
Position	Chief Risk Officer
Date of appointment	15 February 2010
Education	• Graduated from NED University of Engineering & Technology in Pakistan in 1987 • Degrees in insurance from the Legal Insurance Institute in London in 1991
Work experience	• Executive Manager for UCA in Pakistan for 3 years (limited liability Company operating in the insurance business) • Has worked for 14 years in Adamjee Insurance Company Limited in Pakistan where he occupied many positions including General Manager and Manager of Non-Marine Insurance Operations (limited liability Company operating in the insurance business)
Other directorships	NA

Name & age	**Arziv B Avakian- 62 years**
Nationality	Lebanese
Position	Reinsurance Manager
Date of appointment	January 2009

Education	• Degree in Business Management from Beirut in 1972 • Degree in fire protection in 1975 • Degree in fire control from AUB in 1975 • In 1980, he achieved his studies in marine insurance at Richard Hedge University, London • Degree in financial services marketing from Intertech in 1985; in 1990 he obtained a degree in advanced insurance studies from the Cologne Re insurance Company with a degree in insurance management from the same Company in 1995 • Graduate studies In marine insurance from Cologne Company in Germany in 2000
Work experience	• Worked for the United Commercial Agencies Company as a reinsurance manager between 1997 and 2009 (limited liability Company operating in reinsurance business) • Jeddah Branch manager for the United Commercial Agencies Company for 11 years, between 1986 and 1997
Other directorships	NA

Name & age	**Abdul Aziz Khaled A. Mirdad- 31 years**
Nationality	Saudi
Position	Legal and Compliance Manager
Date of appointment	23/03/2009
Education	• Masters in insurance in 2011 from John Hever Academy in UK • B.A in Law in 2008 from King Abdel Aziz University in KSA.
Work experience	• Currently since 2011, manager of compliance and legal advisor of the Company, previously legal advisor for the Company between 2009 and 2011 and attorney for a number of law and legal consultancy firms, including the firm law of the attorney Yasser Kazaz and the firm of Dr Omar Al moujane for legal consultancy between 2006 and 2009 • Office manager of the legal department at Muttawiffy Hujjaj South Asia for more than 7 years (seasonal job) (joint stock Company providing services to Hujjaj)
Other directorships	NA

5-8 The Company's Business Units

- Risk Management
- Finance Department

- Reinsurance Department
- Medical Insurance Department
- Human Resources and Personnel Department
- Insurance Operations
- Legal & Compliance

5-8-1 Risk Management

The Risk Management Department is responsible for guiding the risk management function at the Company, including identifying, measuring, preventing and retaining risks. It is also responsible for the development of appropriate strategies to achieve the Company's goals.

5-8-2 Finance Department

This department is responsible for:

- Drawing up accounting and financial procedures
- Following up entries in account books
- Ensuring that the Company's financial policy is being implemented in compliance with relevant regulations and instructions.
- Securing the soundness and accuracy of the Company's financial data and of implemented procedures.
- Preparing budgets, reports, financial goals and estimated financial results.
- Preparing Final statements, quarterly accounts and coordinating with external auditors
- Managing cash flows on a weekly, monthly quarterly and annual basis; submitting actual and estimated cash flow reports for the following 12 months.
- Following up the Company's investments with the investment committee, according to the Company's and to SAMA regulations, in order to ensure strong financial solvency
- Submitting data regarding the compliance with accounting standards adopted by the Company
- Advising the Company's management on major financial issues

5-8-3 Reinsurance Department

The Reinsurance Department is responsible for the supervision and monitor of reinsurance issues and acts as the interface with reinsurance companies and other insurance companies and brokers. It is also responsible for the following tasks:

- Engage & terminate reinsurance agreements;
- Analyze reinsurance companies and prepare internal rating; and
- Assure transfer of risk efficiency at the best rates.

Figure 5-5: The Company's Reinsurers for 2014

Reinsurer	Rating Authority	Non–Credit Rating	Status
Hannover Re	S&P	-AA	
Saudi Re	S&P	+BBB	
SCOR	S&P	+A	Positive
Gulf Re	S&P	-A	
Generali	S&P	-A	Negative
CCR	S&P	AAA	
Arig	S&P	BBB	Positive
Sompo	S&P	-AA	
Korean Re	S&P	-A	
Helvetia	S&P	A	
Gen-Re	S&P	AAA	
Swiss Re	S&P	-AA	
RGA	S&P	-AA	

Source: the Company

5-8-4 Medical Insurance Department

The medical insurance department is responsible for preparing and pricing medical insurance policies and for calculating premiums, using actuary data and other statistics and self-estimates. Medical insurance claims are handled via an external claims Company.

5-8-5 Human Resources Department

This department handles personnel affairs, assignment and coordination of operations, maintaining file for each employee including information, payroll, leaves etc. It is also responsible for providing incentives at all employee levels.

5-8-6 Insurance Operations

Supervises the following Departments:

- Underwriting (Non-Medical)
- Claims (Non-Medical)
- Information Technology
- Marketing
- Companies sales via the branches
- Retail sales for motor insurance via sale points

The Insurance operations department manages the proper operation of the Company's key departments, subscriptions and of claims related to insurance (non medical). In addition, it supervises all strategic aspects related to insurance and operational ones related to the branches and points of sale.

Information Technology

It serves all Company's departments through a range of services including the development of software, training, management of contracts related to IT, as well as technical support. This service also provides all technical conditions providing employees with necessary data.

Claims Service

The claims service is responsible for the management of non-medical claims and conducts claims and relevant conditions reviews. It also coordinates with respective departments to ensure the timely payout of valid claims. The claims service submits recommendations to the top management regarding the update of claims procedures when appropriate.

Sales

The management of sales operations, for both companies and individuals, is conducted through retail branches and points of sale. The Operations management supervises general functions and tasks of branches and points of sale in order to achieve the Company's goals, analyses data and sets strategies regarding marketing and sales.

Marketing

The marketing department is responsible for developing the Company's institutional identity in order to promote the Company's vision and credibility, to retain its customers and to achieve uniqueness and stability.

The marketing development is responsible for conducting market studies for potential products, positively contributing to the increase of the Company's revenues.

5-8-7 Compliance Control

This department is responsible for the supervision and implementation of the Company's regulatory profile, to ensure the Company's employees compliance with laws and regulations. It also propagates compliance attitude and strengthens relationships with regulators.

5-9 Employees

As of the end 2013 the Company's manpower had reached 608 employees with a Saudization percentage of 47%.

The Company works continuously to develop its human resources and recruit qualified Saudi youth, in the light of the requirements of both labor law and the Cooperative Insurance Companies Control Law and its implementing regulations.

The Company has no equity programs for employees or any other arrangements involving employees in its share capital.

6- Management Discussion & Analysis of the Company's Financial Position and Result of Operations

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 of the years ended 31 December 2011, 2012 and 2013 which were audited by Deloitte and Touche Bakr Abulkair and Company and Al Bassam Auditors and Consultants, in addition to unified audited financial statements of the period ended on June 30, 2014, which was audited by Deloitte and Touche Bakr Abulkair and Al Bassam and Al Nemer CPA's and Consultants.

Auditors and their relatives have no shares or interests of any kind in the Company. Moreover, the above-mentioned auditors have given their written consent as to the reference in this Prospectus to their certificates as the Company's auditors for the years 2011, 2012 and 2013, and for the period ended on June 30, 2014. Up to the date of this Prospectus, the consent was not withdrawn.

This section may contain prospective data with unconfirmed risks and estimates that may largely differ from the Company's actual results due to many factors, including those discussed in this section and in other sections of the Prospectus, in particular those discussed under section 2 "Risk factors" of this Prospectus.

All amounts contained in this Prospectus are in SAR unless otherwise stated, and numbers are rounded to the nearest 10, while percentages are displayed in the form of decimals.

6-2 Directors' Declaration for Financial Statements

The Directors' declare that the financial information presented in this Prospectus is extracted without material change from the Audited Financial Statements and that the Audited Financial Statements have been prepared in accordance with International Financial Standards. Directors, senior executives and board's secretary declare that none of them has been for the past 5 years, a board member or executive or supervisor in a Company subject to insolvency.

Further, the Company declares that it has a working capital sufficient for the next twelve months following the date of this Prospectus.

Except the loss incurred by the Company in 2013,the Directors declare that there has been no material adverse change in the Company's financial or business position within the three years immediately preceding the application for registration and admission to listing, in addition to the period covered by the certified accountant's report and to the date of this Prospectus.

6-3 Legal structure and overview of activities and operations

The United Assurance Company is a Saudi joint stock Company, registered in KSA under the registration number 4030179955 and in accordance with decision of the Council of Ministers number 94 dated 14/03/1428H corresponding to 1/04/2007G and Royal Decree number 24 dated 15/03/1428H corresponding to 2/04/2007G and approving the establishment of the Company in accordance with the Cooperative Insurance Companies Control Law issued by Royal Decree number 32 dated 2/06/1424H and with its regulations issued by decision of the Council of Ministers number 1/596 dated 1/03/1425H.

The Company's head office is in Jeddah, Khalydieh, Rawda Street, AlMoukhmal Tower. Its share capital is SAR 280.000.000, consisting of 28.000.000 shares.

Share Capital Structure

As per the Company's management, the Company's capital is not subject to any option. In addition, no preferential rights were granted to any of the Company's Founding Shareholders or others.

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.

UCA Bahrain is the sole major shareholder in the Company with a shareholding of 9.100.000 shares, representing 32.5% of the Company's total shares. There is no other shareholder who owns more than 5% of the Company's shares.

On 17/08/1434H, corresponding to 26/06/2013, the EGM approved the increase of the Company's capital by SAR 80.000.000 through the issue of shares with a nominal value for each share. The amount of issued shares was transferred from the reserve and added to the capital upon the approval of relevant parties. Accordingly, the Company's share capital became SAR 280.000.000 consisting of 28.000.000 shares.

The Company's key activities

The Company's key activity covers cooperative insurance and reinsurance and all related activities in KSA. The Company obtained from SAMA the license for practicing insurance and reinsurance business in KSA On 29/4/1429H, corresponding to 5 May 2008.

The Company has entered into an asset purchase agreement for the insurance portfolio and related net assets of UCA Bahrain in KSA as of 31 December 2008 at an amount of SAR 78.40 million, as per approved by SAMA.

The goodwill amounting to SAR 78.40 million (as approved by SAMA) and similar liabilities were listed in the Company's financial statements with a retroactive. As per SAMA instructions, the initial premium (50% of the portfolio value) was due on 31 December 2009, followed by periodic payments till the end of 2015, provided that such payments did not exceed 50% of the distributable excess, after SAMA approval and before carrying out any other payment. The Company obtained SAMA approval on 18/8/1432H corresponding to 19 July 2011, to settle the goodwill for 2009 and 2010, at respective amounts of SAR 25.12 and 28.32 million. Accordingly the Company has reduced its liabilities as for the goodwill by SAR 53.44 million.

The Company obtained SAMA approval on 10/5/ 1433H, corresponding to 2 April 2012, as for the payment of the remaining goodwill amount at SAR 24.962 million. Accordingly the Company has fully settled its due as for the goodwill and fees amounting to SAR 5.1 million during the year ended in 31 December 2012, representing 5% of the distributable excess for the years where the goodwill was paid up as per SAMA approval.

According to Management, the Company's financial condition is not generally affected by any major seasonal or business cycles. Furthermore, no information regarding any governmental, economic, fiscal, monetary, political policies or other factors was found to materially affect over the last three years, or could materially affect, directly or indirectly, the operations.

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 Summary of Significant Accounting Policies

The Company financial statements are prepared under the historical cost convention, except for offered investments which were evaluated at the fair value.

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.

Reinsurance

In the ordinary course of business, the Company cedes insurance premiums and risk. 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.

Impairment and Un-collectability of Financial Assets

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

For financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;

for financial assets at fair value, the impairment loss is based on the decline in fair value; and

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.

Impairment of Non-Financial Assets

Assets that have an indefinite useful life 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).

Deferred Policy Acquisition Costs

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

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

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.

Investments

a) Investments held at fair value through income statement are investments designated at fair value through income statement at inception. Allowances are amortized based on the real rate of return and charged to the statement of insurance operations results or of shareholders' equity. Following the initial designation of various investment categories, their value is being fixed at the end of subsequent year as **available-for-sale investments**.

Available-for-sale financials assets are non-derivative financial assets that are either designated in this category or not

classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the statement of shareholders' comprehensive operations.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders' operations as impairment charges.

Fair values of investments are based on quoted prices for marketable securities. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

b) Investments in Held to Maturity Securities

Investments that 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 recognized in the statement of shareholders' operations or statement of insurance operations and accumulated surplus when the investment is derecognized or impaired.

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

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and short term deposits with an original maturity of less than three months at the date of acquisition.

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 and accumulated surplus on a straight line basis based on the following estimated useful lives:

	Years
Motor Vehicles	4
Furniture and Fittings	4 -10
Computers and Office Equipment	4 -10
Leasehold Improvements	3

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of shareholders' operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

Provisions for Obligations

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

Foreign Currency Translation

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

Liability Adequacy Test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

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

Insurance and Other Receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations and accumulated surplus. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Subsequent recoveries, of amounts previously written off are credited in the statement of insurance operations and accumulated surplus. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.

End-of-Service Benefits

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

Revenue Recognition

Recognition of premiums and commission revenue

Gross premiums and commissions on insurance contracts are recognized when the insurance policy is issued. The portion of premiums and commissions that will be earned in the future is reported as unearned premiums and commissions, respectively, and is deferred on a basis consistent with the term of the related policy coverage, except for

marine cargo. The unearned portion for marine cargo represents last three months of the premiums written during the current financial period.

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

- At last three month of premiums for marine cargo business as marine cargo policies cover variable periods shorter than one year, in order to spread the premiums earned over the tenure of the insurance policies.

- Engineering business premiums are calculated using the new method as communicated by the regulator assuming that the premiums are earned less in the early part of the coverage period i.e. increasing with the period.

- Actual number of days for other lines of business

Commission income

Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Claims

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

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

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Salvage and Subrogation Reimbursements

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

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

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.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of insurance operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

Leases

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

Zakat and Income Tax

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to Zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for Zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Unearned Commission Income

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

Fair Values of Financial Instruments

Financial instruments comprise cash and cash equivalents, premiums receivable, reinsurance receivables, investments, outstanding claims, reinsurance payables and certain other assets and liabilities.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of all other financial instruments are estimated using methods such as net present values of future cash flows.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. For an

unquoted equity investment, fair value is determined by reference to the market value of a similar investment or based on the expected discounted cash flows.

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.

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.

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 organized into business units based on their products and services and has three reportable operating segments as follows:

Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.

Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.

Other classes, which covers any other classes of insurance not included above.

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between

operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

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, expected to be reported subsequent to the date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. 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.

Statutory Deposit

Statutory deposit represents 10% of the paid up capital in accordance with the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia issued by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA. The statutory deposit amounted to SAR 28.000.000 as at 31 December 2013, with no modification for the second half of the year ended on 30 June 2014.

Statutory Reserve

Pursuant to the Cooperative Insurance Companies Control Law in KSA, the Company is required to form a statutory reserve equivalent to 20% of the annual net shareholders' profits, until such reserve reaches 100% of the paid up capital. The reserve is non-distributable.

Liquidity Adequacy Test

Liquidity requirements are subject to a monthly control. In this respect, the Company's management ensures the availability of sufficient liquidity to meet any arising obligations. A large part of the Company's liquidity s invested in term deposits at local banks.

6-5 Results of Insurance Operations between 2011 and 2013

Income statement

Figure 6-1: Income statement

Policyholders' Income Statement			
SAR 000s	**FY 2011 Audited**	**FY 2012 Audited**	**FY 2013 Audited**
Gross Written Premiums	1,068,776	1,024,070	1,292,975
RI Premium Ceded	(231,411)	(281,965)	(413,749)
Excess of Loss Premiums	(6,732)	(5,148)	(5,959)
Retained Premium	830,633	736,957	873,267
Changes in Unearned Premium	(114,801)	74,402	(6,544)
Net Earned Premium	715,832	811,359	866,723
RI Commission Received	35,032	38,850	47,361
NET REVENUES	750,864	850,209	914,084
Gross Claims Paid	669,699	848,348	865,472
RI Share in Claims	(62,848)	(116,193)	(64,710)
Net Claims Paid	606,851	732,155	800,762
Changes in O/S Claims	(14,926)	(22,973)	68,446
Net Claims Incurred	591,925	709,182	869,208
Policy Acquisition Cost	21,214	22,607	23,951
Premium Deficiency Reserve	-	140	12,306
Catastrophe reserve	-	-	500
NET COSTS and Expenses	**613,139**	**731,929**	**905,965**
Net Underwriting Income	137,725	118,280	8,119
General & Administrative Expenses	(87,084)	(93,912)	(99,613)
Supervision & inspection fee	(9,684)	(7,358)	(5,406)
Investment & other income	4,965	6,171	4,718
Bad Debt (Expense)/Reversal	7,087	2,204	5,450
Surplus/(Deficit) from Insurance Operations	**53,009**	**25,385**	**(86,732)**
Shareholders' share of insurance operations from Surplus/(Deficit)	(47,708)	22,847	(86,732)
Surplus for the year	5,301	2,539	-
Accumulated Surplus at the beginning of the Year	13,419	18,720	21,258
Accumulated Surplus at the end of the Year	**18,720**	**21,259**	**21,258**
Performance Indicators			
Retention Ratio	77.7%	72.0%	67.5%
Net Earned Premium as % of GWP	67.0%	79.2%	67.0%
Net Loss Ratio	82.7%	87.4%	100.3%
Commission Expenses as % of GWP	2.0%	2.2%	1.9%
Commission Income as % of Ceded Premiums	14.7%	13.5%	11.3%
Underwriting Surplus as % of GWP	12.9%	11.5%	0.6%
General & Administrative Expenses as % of GWP	8.1%	9.2%	7.7%
Surplus/(Deficit) from Insurance Operations as % of GWP	5.0%	2.5%	-6.7%

Source: the Company's financial statements and management's reports and analysis

Gross written premiums amounted to SAR 1.068 million in 2011, while declining to SAR 1.024 million in 2012, mainly due to the decline of the number of written premiums in the medical insurance business by 25% (from SAR 309.5 million in 2011 to SAR 222.7 million in 2012). The year 2012 also witnessed an improvement of engineering insurance business increasing by 23% compared to the year 2011 (from SAR 262.9 million in 2011 to SAR 323.7 million in 2012).

As for the year 2013, it witnessed a substantial increase of gross written premiums, amounting to SAR 1.293 million (increase of 26%), mainly due to the increase of the number of written premiums in motor vehicles insurance business which recorded an increase of 41% (from SAR 477.6% million to SAR 673.2 million). Gross written premiums in medical insurance business declined by 31% (from SAR 222.7 million to SAR 153.1 million), due to the change operated in the Company's strategy of applying insurance premiums rates instead of being subject to market competition in determining insurance premiums.

The net results of insurance operations amounted to SAR 137.7 million in 2011, while declining to SAR 19.4 million in 2012 (SAR 118.3 million), due to the increase of the net loss incurred by medical and motor vehicles insurance business.

The increase of net loss percentage in motor vehicles insurance was affected by the increase of blood money amount from SAR 100.000 to SAR 300.000 in 2012.

The year 2013 witnessed a substantial decline in net results of insurance operations, amounting to SAR 110.1 million compared to the year 2012, due to the increase of net expenses and costs from SAR 731.9 million in 2012 to SAR 905.9 million in 2013. This increase is the result of the increase of incurred claims in motor insurance business from SAR 476.2 million in 2012 to SAR 660.1 million in 2013, due to the increase of the business reserves of any prospective claims the Company might receive due to delayed reports (IBNR). The Company's management calculates reserves of incurred but not reported accidents as per the recommendation of actuary regarding such reserves.

The increase of net expenses and costs led to a decline of the surplus/deficiency % of insurance operations, the surplus amounting to SAR 53 million in 2011, declining to SAR 25.4 million in 2012, while deficiency amounted to SAR 86.7 million in 2013.

Shareholders' Income Statement

Figure 6-2: Shareholders" income statement

Shareholders' Income Statement			
SAR 000s	**FY 2011**	**FY 2012**	**FY 2013**
Revenues			
Shareholders Share of Insurance Operation	47,708	22,847	(86,732)
Commission Income	5,113	4,880	3,237
Investment Income	34	240	8
Realized Gain on Investments	777	4,429	7,750
Total Revenues	**53,633**	**32,396**	**(75,737)**
Expenses			
General + Administrative Expenses	2,054	1,106	1,503
Board Remunerations	912	1,154	1,016
Total Expenses	**2,966**	**2,260**	**2,519**
NET INCOME (LOSS) BEFORE ZAKAT FOR THE PERIOD	**50,667**	**30,136**	**(78,256)**
NET RATIOS			
Shareholders' G&A Expenses as % of GWP	0.2%	0.1%	0.1%
Shareholders' net Income/loss as % of GWP	4.7%	2.9%	-6.1%

Source: The Company's financial statements and management's analysis and reports

The shareholders shares of insurance operations amounted to SAR 47.7 million in 2011, while declining to SAR 22.8 million in 2012, due to the decline of insurance operations surplus. Shareholders incurred deficiency in insurance operations amounting to SAR 86.7 million in 2013.

As for the net realized gain in the shareholders' income statement, it declined by 45% in 2012, compared to 2011, amounting to SAR 30.14 million in 2012, recording a decline of SAR 20.5 million compared to 2011, where it amounted to SAR 50.7 million. This decline is mainly due to the decrease of the shareholder's share of insurance operation resulting from the previously mentioned surplus decrease.

Net loss amount in the shareholder's income statement amounted to SAR 78.2 million in 2013, due to the loss in insurance operations amounting to SAR 86.7 million. This loss accounts for 28% of the Company's share capital.

The Company is subject to a number of rules and regulations related to losses incurred by companies in KSA. In this respect, the CMA which is responsible for the procedures and special instructions related to listed companies which incurred losses, has specified the following rules:

- **The Company's losses exceeding 50% and less than 75% of its share capital:**

In this event, the Company should immediately announce to the public the amount of accumulated losses, their percentage of the share capital and the factors leading to the loss, with the Company's compliance with any related procedures or instructions.

The CMA will add a symbol next to the Company's name on its website referring to the percentage of the accumulated losses. The Company should also announce to the public at the end of each month (according to the calendar used in calculating its fiscal year) its financial statements prepared by the management, no later than ten days following the end of each month. It should also inform the public upon adjusting its situation, by reducing its accumulated losses below 50% of the share capital, provided the announcement include the procedures carried out by the Company to adjust its position. The announcement comes with the report of the certified accountant that highlights the Company's financial position after adjusting its situation.

Upon the Company's announcement of adjusting its situation according to the previously mentioned terms, the CMA removes the symbol added next to the Company's name.

- **The Company's losses exceeding 75% and less than 100% of its share capital:**

In this event, the Company should immediately announce to the public the amount of accumulated losses, their percentage of the share capital and the factors leading to the loss, with the Company's compliance with any related procedures or instructions.

The trading in the Company's listed shares will be suspended for one trading session following the announcement previously mentioned. The CMA will add a symbol next to the Company's name on its website, referring to the percentage of the cumulated losses. The Company should also announce to the public at the end of each month (according to the calendar used in calculating its fiscal year) its financial statements prepared by the management, no later than ten days following the end of each month. The CMA removes the previously mentioned symbol to instantly sell and purchase the Company's shares upon the reducing of the cumulated losses below 75% of the Company's share capital and the ending of two full fiscal years, each of them not less than 12 months.

The listing of the Company's shares will be cancelled 30 days after the non-occurrence of the following:

- The Company's failure to elaborate the required plan.

- The expiry of the two fiscal years during which the Company's accumulated losses exceeded 75% of its share capital without adjusting the Company's situation by reducing its cumulated losses below 75% of its share capital or the Company's failure to achieve operational profits and cash flow for the last fiscal year.

- **The Company's losses exceeding 100% of its share capital:**

In this event, the Company should immediately announce to the public the amount of accumulated losses, their percentage of the share capital and the factors leading to the loss, with the Company's compliance with any related

procedures or instructions.

The CMA will add a symbol next to the Company's name on its website, referring to the percentage of the accumulated losses and the trading in the Company's listed shares will be suspended.

The Company's board of directors should develop a plan for adjusting the Company's situation and announce it to the shareholders in a period not exceeding 90 days following the announcement, observing the provision of article 148 of the Companies Law. The Company should also announce to the public at the end of each month (according to the calendar used in calculating its fiscal year) its financial statements prepared by the management, no later than ten days following the end of each month. The Company's shares may be traded during the suspension period, through the Security depository center, in accordance with applicable norms. The authority removes the previously mentioned symbol to instantly sell and purchase the Company's shares upon the reducing of the cumulated losses below 75% of the Company's share capital, provided the audited annual financial statements show operational profits and cash flow for the last fiscal year.

The listing of the Company's shares is cancelled 30 days after the non-occurrence of the following:

- The Company's failure to elaborate the required plan.

- The expiry of the two fiscal years during which the Company's accumulated losses exceeded 100% of its share capital without adjusting the Company's situation by reducing its cumulated losses below 75% of its share capital (provided it includes the period previously mentioned in article 4) or the Company's failure to achieve operational profits and cash flow for the last fiscal year.

The Companies Regulations state that where a joint stock company has suffered losses amounting to 75% of its share capital, the Board of Directors must call for an extra-ordinary general assembly to decide whether the company should continue its operations or file for dissolution.

Should UCA continue to suffer losses and if at such extra-ordinary general assembly, the shareholders decide to dissolve the Company, then prospective investors could lose all or part of their investment, and the trading in the Company's listed shares could be suspended by the Authority in the event that losses exceed 75% of its share capital.

Operations Income Statement By line of Insurance Business

Figure 6-3: Operations income statement by line of insurance business for 2011

Segmental Information

Income Statement by line of Business - FY 2011				
SAR 000s	MEDICAL	MOTOR	OTHERS	TOTAL
Gross Written Premiums	301,677	496,245	270,854	1,068,776
RI Premium Ceded	(641)	(992)	(229,778)	(231,411)
Excess of Loss Premiums	(746)	(4,158)	(1,828)	(6,732)
Retained Premium	300,290	491,095	39,248	830,633
Changes in Unearned Premium	264	(116,033)	968	(114,801)
Net Earned Premium	300,554	375,062	40,216	715,832
RI Commission Received	85	278	34,669	35,032
NET REVENUES	300,639	375,340	74,885	750,864
Gross Claims Paid	270,858	342,568	56,273	669,699

RI Share in Claims	(47)	(16,960)	(45,841)	(62,848)
Net Claims Paid	270,811	325,608	10,432	606,851
Changes in O/S Claims	(30,400)	13,681	1,793	(14,926)
Net Claims Incurred	240,411	339,289	12,225	591,925
Policy Acquisition Cost	9,596	6,786	4,832	21,214
NET COSTS	250,007	346,075	17,057	613,139
NET RESULTS OF INS OPERATIONS	50,632	29,265	57,828	137,725
NET RATIOS				
Retention Ratio	97.5%	99.0%	14.5%	77.7%
Net Earned Premium as % of GWP	99.6%	75.6%	14.8%	67.0%
Net Loss Ratio	80.0%	90.5%	30.4%	82.7%
Commission Expenses as % of GWP	3.2%	1.4%	1.8%	2.0%
Commission Income as % of Ceded Premiums	6.1%	5.4%	15.4%	14.7%
Underwriting Surplus as % of GWP	16.8%	5.9%	21.4%	12.9%

Source: The Company's audited financial statements and management's analysis and reports

Figure 6-4: Operations income statement by line of insurance business for 2012

	Income Statement by line of Business - FY 2012			
SAR in 000s	**MEDICAL**	**MOTOR**	**OTHERS**	**TOTAL**
Gross Written Premiums	222,692	477,640	323,738	**1,024,070**
RI Premium Ceded	-	(5,084)	(276,881)	**(281,965)**
Excess of Loss Premiums	(1,548)	(1,139)	(2,461)	**(5,148)**
Retained Premium	221,144	471,417	44,396	**736,957**
Changes in Unearned Premium	47,102	28,349	(1,049)	**74,402**
Net Earned Premium	268,246	499,766	43,347	**811,359**
RI Commission Received	18	706	38,126	**38,850**
NET REVENUES	**268,264**	**500,472**	**81,473**	**850,209**
Gross Claims Paid	241,427	482,810	124,111	**848,348**
RI Share in Claims	(1,147)	(2,140)	(112,906)	**(116,193)**
Net Claims Paid	240,280	480,670	11,205	**732,155**
Changes in O/S Claims	(15,649)	(4,438)	(2,886)	**(22,973)**
Net Claims Incurred	224,631	476,232	8,319	**709,182**
Premium deficiency reserve	-	-	140	**140**
Policy Acquisition Cost	6,662	10,635	5,310	**22,607**
NET COSTS	**231,293**	**486,867**	**13,769**	**731,929**
NET RESULTS OF INS OPERATIONS	**36,971**	**13,605**	**67,704**	**118,280**
NET RATIOS				
Retention Ratio	99.3%	98.7%	13.7%	72.0%
Net Earned Premium as % of GWP	120.5%	104.6%	13.4%	79.2%

Net Loss Ratio	83.7%	95.3%	19.2%	87.4%
Commission Expenses as % of GWP	3.0%	2.2%	1.6%	2.2%
Commission Income as % of Ceded Premiums	1.2%	11.3%	13.6%	13.5%
Underwriting Surplus as % of GWP	16.6%	2.8%	20.9%	11.5%

Source: The Company's audited financial statements and management's analysis and reports

Figure 6-5: Operations income statement by line of business for 2013

	Income Statement by Line of Business - FY 2013			
SAR in 000s	**MEDICAL**	**MOTOR**	**OTHERS**	**TOTAL**
Gross Written Premiums	153,080	673,171	466,724	**1,292,975**
RI Premium Ceded	(8)	(4,498)	(409,243)	**(413,749)**
Excess of Loss Premiums	(2,048)	(1,162)	(2,749)	**(5,959)**
Retained Premium	151,024	667,511	54,732	**873,267**
Changes in Unearned Premium	10,065	(8,260)	(8,349)	**(6,544)**
Net Earned Premium	161,089	659,251	46,383	**866,723**
RI Commission Received	3	1,022	46,336	**47,361**
NET REVENUES	**161,092**	**660,273**	**92,719**	**914,084**
Gross Claims Paid	168,507	620,355	76,610	**865,472**
RI Share in Claims	(1,891)	(522)	(62,297)	**(64,710)**
Net Claims Paid	166,616	619,833	14,313	**800,762**
Changes in O/S Claims	24,007	40,305	4,134	**68,446**
Net Claims Incurred	190,623	660,138	18,447	**869,208**
Premium deficiency reserve	5,726	8,001	(1,421)	**12,306**
Catastrophe reserve	-	-	500	**500**
Policy Acquisition Cost	4,184	12,822	6,945	**23,951**
NET COSTS	**200,533**	**680,961**	**24,471**	**905,965**
NET RESULTS OF INS OPERATIONS	**(39,441)**	**(20,688)**	**68,248**	**8,119**
NET RATIOS				
Retention Ratio	98.7%	99.2%	11.7%	67.5%
Net Earned Premium as % of GWP	105.2%	97.9%	9.9%	67.0%
Net Loss Ratio	118.3%	100.1%	39.8%	100.3%
Commission Expenses as % of GWP	2.7%	1.9%	1.5%	1.9%
Commission Income as % of Ceded Premiums	0.1%	18.1%	11.2%	11.3%
Underwriting Surplus as % of GWP	-25.8%	-3.1%	14.6%	0.6%

Source: The Company's audited financial statements and management's analysis and reports

Gross net surplus of insurance operations accounted for 12.9% of gross written premiums for 2011, mainly due to general, marine and engineering insurance operations. However, gross net surplus of insurance operations in motor insurance business declined from 5.9% in 2011 to 2.8% in 2012. As for the year 2013, it declined to 0.6%, due to deficiency in medical and motor business.

Gross Written Premium

Figure 6-6: gross written premiums (GWP) vs net earned premiums (NEP)

(Gross Written Premium (GWP) Vs. Net Earned Premium (NEP						
	GWP			NEP		
SAR in 000s	FY 2011	FY 2012	FY 2013	FY 2011	FY 2012	FY 2013
Marine	17,258	18,698	26,616	9,832	10,835	9,806
Medical	309,555	222,692	153,080	303,212	268,246	161,089
Motor	496,246	477,640	673,171	375,063	499,765	659,251
Fire	39,420	47,098	58,710	3,795	3,685	4,415
General Accident	14,352	19,199	29,036	4,724	12,160	14,147
Engineering	85,885	130,612	217,515	17,336	14,811	15,693
Energy	106,060	108,130	134,847	1,825	1,861	2,321
TOTALS	**1,068,776**	**1,024,069**	**1,292,975**	**715,790**	**811,363**	**866,722**

Source: Management reports

The GWP amounted to SAR 1.068 million in 2011, due to medical and motor insurance business, medical insurance operations accounting for 29% of gross written premiums and motor insurance operations for 46% of gross written premiums.

GWP declined by 4% in 2012, amounting to SAR 1.024 million, due to the decline of GWP in medical insurance operations by 26% (from SAR 301.6 million in 2011 to SAR 222.7 million in 2012) as a result of the non-renewal of some key policies.

The year 2013 witnessed a substantial increase of GWP, amounting to SAR 1.293 million, increasing by SAR 269 million (26%). This was due to the increase of GWP in motor insurance operations amounting to 41% (from SAR 477.6 million to SAR 673.2 million), as a result of the expansion of customers' base and the issue of new insurance policies.

GWP in medical insurance business declined by 31% (from SAR 222.7 million to SAR 153.1 million) due to the change in the Company's strategy as for the implementing of insurance premiums instead of being subject to market competition in determining insurance premiums.

Net written premiums in medical and motor insurance lines jointly account for 94.7%, 94.6% and 94.6% of gross net written premiums for the years 2011, 2012 and 2013.

Figure 6-7: GWP by distribution channel

Gross written premium (GWP) by distribution Channel			
SAR in 000s	FY 2011	FY 2012	FY 2013
Direct Sales	633,014	602,619	815,251
Branch Sales	371,789	388,830	416,990
Brokers/Agents	63,972	32,621	60,735
Total	**1,068,775**	**1,024,070**	**1,292,976**
As a % of Total			
Direct Sales	59.2%	58.8%	63.1%
Branch Sales	34.8%	38.0%	32.3%
Brokers/Agents	6.0%	3.2%	4.7%
Total	**100.0%**	**100.0%**	**100.0%**

Source: Management reports

The issue of insurance policies through direct sales (through accounts managers in the Company) represents the main part of the insurance operations and respectively accounts for 59.2%, 58.85% and 63.1% of GWP for the years 2011, 2012 and 2013 respectively.

The Company's branches spread over the KSA represent the largest distribution channel, selling third party insurance policies via 140 points of sale. This channel respectively accounts for 34.8%, 38.0% of GWP, for the years 2011, 2012 and 2013.

Distribution channels via agents authorized by SAMA, account for 6%, 3.2% and 4.7% of GWP for the years 2011, 2012 and 2013.

Reinsurance

Figure 6-8: Premium ceded by line of business (including Excess of Loss Premium)

(Premium Ceded by line of business (Including Excess of Loss Premium						
SAR in 000s	FY 2011	FY 2012	FY 2013	of % FY 2011	of % FY 2012	of % FY 2013
Marine	7,579	8,494	15,679	3.2%	3.0%	3.7%
Medical	1,380	1,548	2,056	2.9%	0.5%	0.5%
Motor	5,149	6,223	5,660	2.2%	2.2%	1.3%
Fire	35,838	43,211	54,080	15.0%	15.0%	12.9%
General Accident	8,618	13,842	14,445	3.6%	4.8%	3.4%
Engineering	69,844	107,526	195,260	29.3%	37.5%	46.5%
Energy	104,233	106,270	132,526	43.8%	37.0%	31.6%
TOTAL	**238,141**	**287,114**	**419,706**	**100.0%**	**100.0%**	**100.0%**

Source: Management reports

Table 6-9: Cession Ratio by line of business (Including Excess of Loss Premium)

(Cession Ratio by line of business (Including Excess of Loss Premium			
	FY 2011	FY 2012	FY 2013
Marine	43.9%	45.4%	58.9%
Medical	2.2%	0.7%	1.3%
Motor	1.0%	1.3%	0.8%
Fire	90.9%	91.7%	92.1%
General Accident	60.0%	52.5%	49.8%
Engineering	81.3%	87.1%	89.8%
Energy	98.3%	98.3%	98.3%
TOTAL	**22.3%**	**28.0%**	**32.5%**
Retention Rate	**77.7%**	**72.0%**	**67.5%**

Source: Company's management

The GWP increased in 2012 by 20% due to the increase of the GWP in fire and engineering insurance business, the GWP of fire reinsurance increasing by 20.6% (from SAR 35.8 million to SAR 43.2 million) and the GWP of engineering insurance increasing by 54% (from SAR million to SAR 107.5 million). As for the GWP of General Accident insurance, they kept the same rates of 2011, amounting to SAR 14.1 million.

High growth ratios of the GWP in engineering reinsurance are due to substantial infrastructure projects exceeding the Company's capacity of retaining the whole risks of such projects, which led the Company to conclude reinsurance agreements.

GWP for 2013 increased by 46% compared to 2012 (from SAR 287.1 million to SAR 419.7 million), due to the increase of GWP in fire, engineering and energy insurance, respectively by 25.5%, 82.2% and 25%.

Although the insurance GWP witnessed some growth in motor insurance in 2013, this growth did not contribute to increase the GWP in motor reinsurance by the same percentage, the reinsurance being subject to excess loss arrangements and agreements and not to the direct percentage of the insurance GWP.

Statement of Reinsurers and participating ratios for difference Classes

Figure 6-10: Reinsurance treaties for 2014 (marine cargo marine hull, fire, general accidents and engineering)

	Rating			Participating Ratios for different Classes				
Name of Reinsurers	S&P		AM Best	Marine Cargo	Marine Hull	Fire	Gen. Acc.	Engg.
Hannover Re	AA-	Stable	A+	25.0%	25.0%	25.0%	25.0%	25.0%
Saudi Re	BBB+	Stable	–	15.0%	15.0%	15.0%	15.0%	15.0%
SCOR	A+	Positive	A	10.0%	10.0%	10.0%	10.0%	10.0%
Gulf Re	–	Stable	A-	10.0%	10.0%	10.0%	10.0%	10.0%
Generali	A-	Negative	A-	10.0%	10.0%	10.0%	10.0%	10.0%
CCR	AAA	Stable	–	7.5%	7.5%	7.5%	7.5%	7.5%
Arig	BBB	Positive	B++	7.5%	7.5%	7.5%	7.5%	7.5%
Sompo	AA-	Stable	A+	5.0%	5.0%	5.0%	5.0%	5.0%
Korean Re	A-	Stable	A	5.0%	5.0%	5.0%	5.0%	5.0%
Helvetia	A	Stable	A-	5.0%	5.0%	5.0%	5.0%	5.0%
TOTAL				100.0%	100.0%	100.0%	100.0%	100.0%

Source: Management reports.

Figure 6-11: Excess of Medical Loss Reinsurance Treaty

	Rating			
Name of Reinsurers	S&P		AM Best	% of Shares
Hannover Re	AA-	Stable	A+	25.0%
Saudi Re	BBB+	Stable	–	15.0%
SCOR	A+	Positive	A	10.0%
Gulf Re	–		A-	10.0%
Generali	A-	Negative	A-	10.0%
CCR	AAA	Stable	–	7.5%
Arig	BBB	Positive	B++	7.5%

Sompo	AA-	Stable	A+	5.0%
Korean Re	A-	Stable	A	5.0%
Helvetia	A	Stable	A-	5.0%
TOTAL				100.0%

Source: Management Reports

Figure 6-12: Group Protection Excess of Loss Treaty

Name of Reinsurers	Rating		Share
Saudi Re	+BBB	Stable	30%
SCOR	+A	Positive	40%
Gen-Re	AAA	Stable	30%
TOTAL			100%

Source: Management Reports

Figure 6-13: Marine Excess of Loss Treaty– 2014

	Rating			of Shares %
Name of Reinsurers	S&P		AM Best	Marine Cargo
Saudi Re	+BBB	Stable	–	10.0%
Lloyds Syndicate 1221	+A	Stable	A	22.5%
Lloyds Syndicate 1274	+A	Stable	A	22.5%
Lloyds Syndicate 1882	+A	Stable	A	22.5%
Lloyds Syndicate 1945	+A	Stable	A	22.5%
TOTAL				100.0%

Source: Management Report

Figure 6-14: Fire & Engineering Excess of Loss Treaty

	Rating			of Shares %	
Name of Reinsurers	S&P		AM Best	Fire	Engineering
Saudi Re	+BBB	Stable	–	10.0%	10.0%
QBE Insurance Australia	+A	Stable	A	20.0%	20.0%
Hannover Ruckvesicherungs	-AA	Stable	+A	20.0%	20.0%
ACR Retakaful MEA	-A	Stable	-A	12.5%	12.5%
Lansforsakringar	-A	Stable	–	10.0%	10.0%
Malaysian Re		–	-A	7.5%	7.5%
Sirius Int'l. Insurance	BBB	Stable	A	5.0%	5.0%

Trust International Ins & Rein	+BBB	Stable	-A	5.0%	5.0%
.Gulf Reinsurance Ltd		Stable	-A	10.0%	10.0%
TOTAL				100.0%	100.0%

Source: Management Reports

Reinsurance Commission

Figure 6-15: Reinsurance Commission Earned

Reinsurance Commission Earned			
SAR in 000s	FY 2011	FY 2012	FY 2013
Commission received	31,669	40,434	56,133
Change in unearned commission	3,363	(1,584)	(8,772)
Commission earned	35,032	38,850	47,362

Source: Management Reports

Figure 6-16: Reinsurance Commission Received as % of ceded premiums

Reinsurance Commission Received as % of ceded premiums			
	FY 2011	FY 2012	FY 2013
Marine	28.2%	29.2%	24.3%
Medical	31.7%	1.1%	0.1%
Motor	5.4%	11.3%	18.1%
Fire	28.1%	24.4%	24.6%
General Accident	28.3%	31.5%	28.2%
Engineering	23.3%	17.7%	11.6%
Energy	1.6%	1.6%	1.8%
TOTAL	**14.7%**	**13.5%**	**11.3%**

Source: Management Reports

Reinsurance Commissions are applied to business lines included in insurance treaties and agreements (such as

engineering, fire, marine cargo and general accidents insurance). Further, the reinsurers' commission income is also received from optional insurance. Commissions received as a % of ceded premiums are usually compliant with the treaty related to each of insurance lines per year.

Reinsurance commissions received substantially increased from SAR 31.7 million in 2011 to SAR 40.4 million in 2012, and then to SAR 56.1 million in 2013, due to the growth of engineering and fire insurance business in the years 2012 and 2013.

Claims

Figure 6-17: Net claims incurred by line of business

Net Claims Incurred by Line of Business						
SAR in 000s	FY 2011	FY 2012	FY 2013	Net Loss Ratio FY2011	Net Loss Ratio FY2012	Net Loss Ratio FY2013
Marine	1,153	4,400	6,844	11.7%	40.7%	69.8%
Medical	240,411	224,632	190,623	80.0%	83.7%	118.3%
Motor	339,289	476,232	660,138	90.5%	95.3%	100.1%
Fire	6,456	(1,502)	2,285	170.1%	-40.8%	51.8%
General Accident	1.528	2,919	2,584	20.7%	24.0%	18.3%
Engineering	2,792	2,392	6,820	16.1%	16.2%	43.5%
Energy	297	108	(88)	16.3%	5.8%	-3.8%
TOTAL	**591,926**	**709,182**	**869,207**	82.7%	87.4%	100.3%
As % of Total						
Marine	0.19%	0.62%	0.79%			
Medical	40.62%	31.67%	21.93%			
Motor	57.32%	67.15%	75.95%			
Fire	1.09%	-0.21%	0.26%			
General Accident	0.05%	0.41%	0.30%			
Engineering	0.47%	0.34%	0.78%			
Energy	0.05%	0.02%	-0.01%			
TOTAL	100.00%	100.00%	100.00%			

Source: Management Reports

Figure 6-18: Gross claims paid by line of business

Gross Claims Paid by Line of Business						
SAR in 000s	FY 2011	FY 2012	FY 2013	of FY2011 %	of % FY2012	of FY2013 %
Marine	3,443	8,529	20,645	0.51%	1.01%	2.39%
Medical	270858	241,427	168,507	40.66%	28.46%	19.47%
Motor	342,568	482,810	620,355	51.15%	56.91%	71.68%
Fire	16,156	47,263	15,486	2.41%	5.57%	1.79%
General Accident	2.002	3,804	3,808	0.08%	0.45%	0.44%
Engineering	34,672	38,702	36,672	5.18%	4.56%	4.24%
Energy	0	25,812	0	0.0%	3.04%	0.0%
TOTAL	**669,798**	**848,348**	**865,472**	**100.0%**	**100.0%**	**100.0%**

Source: Management Reports

Gross percentage of net loss for the year 2011 amounted to 82.75%, with the net incurred claims reaching SAR 591.9 million. Fire insurance accounted for the largest loss percentage (170%), followed by motor and medical insurance (90.5% and 80% respectively). Gross percentage of net loss increased to 87.4% for the year 2012 associated with an increase of net incurred claims amounting to SAR 709 million for the same year. The increase of net incurred claims in 2012 is mainly due to the increase of net incurred claims in medical and motor insurance amounting to SAR 224.6 million and SAR 476.2 million respectively.

Gross percentage of net loss for the year 2013 has increased up to 100.3% compared to 87.4% for year 2012, where net incurred claims amounted to SAR 869.2 million. This increase is due to the increase of net incurred losses in medical insurance from 83.7% in 2012 to 118.3% in 2013 and the increase of net loss in motor insurance from 95.3% to 100.11% in 2013.

Negative results amounting to SAR 1.5 million are due to incurred fire claims in 2012, and the amount SAR 0.89 million due to incurred energy claims for 2013, are the result of the decline of existing claims provision due to subsequent decrease of paid up claims occurring the previous year. Factors affecting the increase of motor claims include the increase of blood money amount from SAR 100.000 to SAR 300.000 and the delayed reporting of claims in the year 2012, regarding accidents of 2011.

Gross paid up claims for the year 2013 increased by a slight margin of 2% compared to 2012. However, paid up claims in motor insurance increased by 28.6% in 2013 compared to 2012, coping with the increase of gross written premiums in the same business line.

Gross written premiums for motor insurance increased by 41% in 2013 compared to the year 2012, while paid up claims only increased by 28%. This increase covered incurred claims during previous years, which were reported and paid up in 2013.

Due to the increase of paid up claims in motor operations for 2013, the Company decided in 2014 not to renew some insurance contracts that led to such increase.

Commission Expense

Figure 6-19: Commission incurred

Commission Incurred			
SAR in 000s	**FY 2011**	**FY 2012**	**FY 2013**
Commission paid	22,776	22,279	21,935
Change in deferred policy acquisition cost	(1,563)	329	2,017
Commission incurred	21,213	22,606	23,951
Performance Indicator **Commission paid as a % of GWP**	**2.1%**	**2.2%**	**1.7%**

Source: Management Reports

Figure 6-20: Commission incurred by line of business

Commission Incurred - Line of Business wise						
SAR in 000s	**FY 2011**	**FY 2012**	**FY 2013**	**As % of GWP FY 2011**	**As % of GWP FY 2012**	**As % of GWP FY 2013**
Marine	646	620	1,638	3.5%	3.1%	6.2%
Medical	9,596	6,662	4,184	3.2%	2.9%	2.7%

Motor	6,786	10,635	12,822	1.4%	2.2%	1.9%
Fire	1,732	1,562	1,568	4.4%	3.3%	2.7%
General Accident	1.004	1,095	1,271	4.7%	4.2%	3.6%
Engineering	1,450	2,032	2,469	1.7%	1.6%	1.1%
Energy	0	0	0	0.0%	0.0%	0.0%
TOTAL	**21,215**	**22,606**	**23,952**	**2.0%**	**2.2%**	**1.9%**
As % of Total						
Marine	3.04%	2.74%	6.84%			
Medical	45.76%	29.47%	17.47%			
Motor	31.99%	47.05%	53.53%			
Fire	8.17%	6.91%	6.55%			
General Accident	4.7%	4.8%	5.31%			
Engineering	6.83%	8.99%	10.31%			
Energy	0.0%	0.0%	0.0%			
TOTAL	**100.0%**	**100.0%**	**100.0%**			

In November 2011 and prior to the issuance of the regulations related to the insurance brokers, the Company implemented a policy related to commissions paid to brokers. Based on this policy, the Company concluded agreements with the various brokers which terms and conditions were specific to each of the broker's case.

Pursuant to the regulations related to insurance brokers issued by SAMA, commission ratios for agents and brokers should not exceed 8% of compulsory motor and health insurance, and 10% of global medical insurance, and 15% of the premium for other insurance lines. The Company complies with the regulations in its dealings with all brokers.

The commission paid in 2013 decreased compared to 2011, due to the decline of gross written premiums by 4% and substantially by 28% in medical insurance, and 3.7% in motor insurance.

- Commission paid in 2013 decreased to SAR 21.9 million compared to SAR 22.2 million in 2012, due to many reasons: the decrease of gross medical written premiums by 31% compared to 2012.

- Most of motor insurance policies were issued directly issued with the Company, thus such policies were not charged with any commission.

- The increase of the issue of policies related to energy and engineering insurance directly with the Company, thus such policies were not charged with any commission.

Gross paid up commission for the years 2011, 2012 and 2013 remained at an average of 2%, 2.2% and 1.9% respectively of gross written premiums.

General and Administrative Expenses

Figure 6-21: Breakdown of General and Administrative Expenses

Breakdown of General and Administrative Expenses			
SAR 000s	**FY 2011**	**FY 2012**	**FY 2013**
Insurance Operations			
Employee costs	60,934	63,442	69,885
Legal & professional fees	1,411	1,007	1,066
Office rent	8,717	10,084	9,681
Depreciation	2,510	4,158	4,532
Office expenses	2,483	2,178	2,526
Communication expenses	3,149	4,116	4,824
Vehicle expenses	115	132	106
Withholding tax	-	1,600	1,500
Printing & stationery	2,147	1,957	1,740
Courier and postage	434	478	528
Electricity	261	282	267
Other	4,923	4,478	2,958
Total	87,084	93,912	99,613
Shareholders'			
Professional fees	480	400	628
Fees on unpaid goodwill	1,248	-	-
Others	326	706	875
Total	2,054	1,106	1,503
Total	**89,138**	**95,018**	**101,116**
Performance Indicator			
Total General & Administrative Expenses of GWP	8.3%	9.3%	7.8%

Source: audited financial statements and management reports and analysis

General and Administrative expenses increased compared to GWP from 8.3% in 2011 to 9.3% in 2012, due to the decline of GWP in 2012.

Employees' expenses, salaries and related expenses represent most of the general and administrative expenses for the years 2011, 2012 and 2013, by 68.4%, 66.8% and 69.1% respectively of the Company's gross general and administrative expenses.

The increase recorded in the year 2013 compared to 2012 is due to the increase of employees number in 2013, in particular in retail and motor insurance lines. Moreover, the employees' pay scale did not witness any increase in 2013 and general and administrative expenses declined compared to GWP, from 9.3% to 7.8% in 2013 due to the increase of GWP.
Legal and professional expenses include external auditors' fees, the internal auditor salary, in addition to the fees of both financial advisor and actuary.

Depreciation cost has increased by SAR 1.65 million due to incurred capital expenditure of newly opened offices and the transfer of the head offices situated in Jeddah to a new location in Moukhmal Tower, Rawda Street. The Company does not intend to rent or purchase any fixed assets during the next 5 years, therefore it will not undergo any material capital expenditure.

Financial Position Statement

Figure 6-22: the Company financial position statement

Breakdown of General and Administrative Expenses			
SAR 000s	**FY 2011**	**FY 2012**	**FY 2013**
POLICYHOLDERS' ASSETS			
Cash and cash equivalents	210,908	34,132	86,018
Time Deposits	-	90,732	-
Available for sale investments	28,475	2,439	54,858
Held to maturity investments	5,361	-	-
Premium receivables (Net)	381,055	281,115	411,024
Reinsurance Receivables (Net)	8,843	20,043	8,830
Reinsurers' share of unearned premium	83,450	91,375	123,901
Reinsurances' share of outstanding claims	121,725	75,189	114,716
Deferred policy acquisition cost	9,462	9,133	7,117
Repayments and other receivables	60,163	86,788	84,811
Due from shareholders' operations	-	-	86,610
Furniture, Fittings and Office Equipment	8,542	8,743	6,849
Total Insurance Operations' assets	917,984	699,689	984,734
SHAREHOLDERS' ASSETS			
Cash and cash equivalent	181,780	32,314	92,486
Time Deposits	-	166,301	-
Available for sale investments	17,450	22,201	165,017
Held to maturity investments	19,467	-	-
Prepayments and other receivables	105	205	878
Amount due from related parties	230	230	-
Due from insurance operations	47,708	22,847	-
Goodwill	78,400	78,400	78,400
Statutory Deposit	20,000	20,000	28,000
Total Shareholders' Assets	365,140	342,498	364,781
TOTAL ASSETS	**1,283,124**	**1,042,187**	**1,349,514**
Balance Sheet Cont'd			
SAR 000s	**FY 2011**	**FY 2012**	**FY 2013**
POLICYHOLDERS' LIABILITIES			
Reinsurers payables	106,097	56,672	190,992
Unearned commission income	15,081	16,665	25,437
Unearned premium	402,856	336,380	375,450
Unexpired risk reserve	1,281	1,421	13,727
Catastrophe reserve	-	-	500
Outstanding claims	258,198	188,689	296,662
Payables to policy holder	9,887	21,028	29,425
Accrued and other payables	52,701	27,399	22,439
Due to shareholders' operation	47,708	22,847	-
Employees' terminal benefits	4,995	7,313	9,085
Total Insurance Operations' Liabilities	**898,804**	**678,414**	**963,717**

Insurance Operations' Surplus			
Surplus from insurance operations	18,720	21,258	21,258
Available for sale investments reserve	460	17	(241)
Total Insurance Operations' Liabilities and Surplus	**917,984**	**699,689**	**984,734**
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables	5,540	728	1,059
Due to financial institution	-	-	18,750
Due to related party	-	-	270
Due to insurance operations	-	-	86,610
Accrued Zakat and income tax	17,088	21,819	21,929
Amount due to a related party in respect of goodwill	24,962	-	-
Total shareholders' liabilities	**47,590**	**22,547**	**128,618**
Shareholders' Equity			
Share Capital	200,000	200,000	280,000
Statutory reserve	27,429	31,944	31,944
Retained earnings	89,716	87,777	(76,627)
Available for sale investments reserve	405	230	846
Total Shareholders' Equity	**317,550**	**319,951**	**236,163**
Total Shareholders' Liabilities and Equity	**365,140**	**342,498**	**364,781**
TOTAL LIABILITIES, INSURANCE OPERATIONS'			
SURPLUS AND SHAREHOLDERS' EQUITY	**1,283,124**	**1,042,187**	**1,349,515**

Source: audited financial statements and management reports and analysis

The policyholders assets are 72.97% of the total assets of the company on 31st December, 2013. The policyholders' cash and cash equivalent of SAR 86 million are 6.4% of the total assets of SAR 1.35 billion, premium receivables of SAR 411 million are 30.5% of total assets of SAR 1.45 billion reinsurers share of unearned premium is SAR 123.9 million are 9.2% and reinsurers' share of outstanding claims of SAR 114.7 million is 8.5% of the total assets of SAR 1.35 billion.

The policyholders' cash and cash equivalent decreased in FY 2012 to SAR 34.1 million as compared to SAR 210.9 million in FY 2011 due to transfer to time deposits and available for sale investments. There was no amount in time deposits by end of FY 2013 and hence the cash and cash equivalents increased to SAR 86 million.

In FY 2012 the reduction in held to maturity investment and increase placement of cash on time deposit is to enhance company's solvency position. The same action was taken in shareholders' assets as a consequence the amount in time deposits and available for sale investment increased to be SAR 166.4 million in FY 2012.

In the FY 2013 in the policyholders assets the cash and cash equivalent increased by 152% to SAR 86 million from SAR 34.13 million as compared to FY 2012 due to transfer of cash from time deposits. Investments in available for sale category increased substantially to SAR 54.8 million in FY 2013 because of increase of investment in Sukuk of SAR 50.8 million in FY 2013.

In shareholders' assets the cash and cash equivalent increased from SAR 32.3 million in FY 2012 to SAR 92.5 million in FY 2013 due to transfer of cash from time deposits placements. The investments in available for sale category also increased by SAR 142.8 million mainly due to increase in investment in Sukuk of SAR 83.8 million as compared to SAR 4.1 million in FY 2012.

The premium receivables in FY 2012 decreased by 26% from SAR 381 million in FY 2011 to SAR 281.1 million in FY 2012, mainly due to improvement in collections efforts and partly due to reduction of gross written premium in FY

2012. Premium receivable in FY 2013 increased by 46.2% from SAR 288 million in FY 2012 to SAR 411 million in FY 2013 to SAR 411 million due to increase in overall Gross Written Premium by 26%, mainly increase in motor and engineering business.

The outstanding claims including IBNR in FY 2012 decreased from SAR 258.2 million to SAR 188.7 million compared to FY 2011 because of increase in paid claims by 26.7% as compared to FY 2011, mainly due to increased paid claims in motor business for FY 2012. This amount of outstanding claims and IBNR increased substantially in FY 2013 due to the increase in Gross Written Premium in 2013, and to the increase in amounts of provisions of incurred but not reported claims (IBNR) in medical and motor business on recommendation of the actuary in the financial condition report issued for the FY 2013.

Reinsurance share of outstanding claims including IBNR decreased from SAR 121.7 million to SAR 75.2 million FY 2012, due to increase in paid claims compared to FY 2011 and increased to SAR 114.7 million FY 2013 due to increase in gross written premium FY 2013 and also due to increase the amounts of provisions as recommended by the actuary at the end of FY 2013.

The unearned premium reserve (UPR) decreased from SAR 402.8 million as at 31st December 2011 to SAR 188.6 million in FY 2012 mostly as a result of a decrease in medical UPR in line with the decrease in gross written premium of this business. This decrease is also a result of gross written premium decrease of motor business in FY 2012 as compared to motor gross written premium of FY 2011. The increase in UPR of SAR 375.4 million for FY 2013 from SAR 336.6 million in FY 2012 is due to increase in overall gross written premium mainly in motor and engineering business. The additional factor affecting this increase was the change of formula for calculating the UPR for engineering businesses as required by the Saudi Arabian Monetary Agency (SAMA) in 2013.

The reinsurers share of unearned premium increased from SAR 83.4 million to SAR 91.3 million from FY 2011 to FY 2012 due to increase in engineering business by 44% and this amount of remaining share of UPR increased further to SAR 123.9 million again due to increase in engineering and energy business from FY 2012 to FY 2013.

The Company obtained in 2013 a bank facility amounting to $ 5 million from BSI SA bank, accounting for SAR 18.75 million of shareholders' liabilities, for the purpose of acquiring additional investments, such as Murabaha certificates at the same bank. The bank facility term is of 3 months with a yearly commission ratio of 1.67%, on renewable basis. Except for such facility, the Company has no debt instruments (whether issued or under-settled or declared or established but not issued) or any other term loans or debts or mortgage up to this Prospectus date.

The Company has no claims or guarantees as on 31 December 2011, 2012 and 2013, contrary to data included in audited financial statements for the years referred to in this Prospectus.

Cash and Cash Equivalents

Figure 6-23: Cash and Cash Equivalents Shareholders 'Operations

Cash and Cash Equivalents Shareholders' Operations						
SAR in 000s	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited	2011	2012	2013
Cash at bank	136,135	32,314	955	74.9%	100.0%	1.0%
Short term deposits	45,645	-	91,531	25.1%	0.0%	99.0%
TOTAL	**181,780**	**32,314**	**92,486**	**100.0%**	**100.0%**	**100.0%**

Source: audited financial statements

Figure 6-24: Cash and Cash Equivalents Policyholders' Operations

Cash and Cash Equivalents Policyholders' Operations						
SAR in 000s	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited	2011	2012	2013
Cash at bank	153,556	34,132	17,442	72.8%	100.0%	20.3%
Short term deposits	57,352	-	68,576	27.2%	0.0%	79.7%
TOTAL	**210,908**	**34,132**	**86,018**	**100.0%**	**100.0%**	**100.0%**

Source: Company's Audited Financial Statement

Figure 6-25: Company statutory deposits

Statutory Deposits			
SAR in 000s	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited
Statutory deposits	20,000	20,000	28,000
TOTAL	**20,000**	**20,000**	**28,000**

Source: Company's Audited Financial Statement

Total shareholders' cash decreased from SAR 181.78 million in 2011 to SAR 32.31 million in 2012, due to the conversion of SAR 166.30 million into term deposits. The same gross amount increased to SAR 92.48 million in 2013 compared to .2012, due to the increase of financial solvency

The statutory deposit remains stable at a minimum of 10% of the capital as per the Company's Articles of Association of the Cooperative Insurance Companies Control Law. The statutory deposit amount was till 2012, SAR 20 million, and it .was increased in 2013 to SAR 28 million, following the capital increase by SAR 80 million

Premium and Insurance Balances Receivable

Figure 6-26: Premium and insurance balance receivables

Premium and insurance balance receivable			
SAR in 000s	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited
Gross premium and insurance balance receivable	420,033	329,090	442,335
Provision for doubtful debts	(30,134)	(27,932)	(22,481)
Net premium receivable	**389,899**	**301,158**	**419,854**
Key Ratios			
Gross written premium	1,068,776	1,024,070	1,292,975
Average gross receivable as a % of GWP	39.4%	36.6%	29.8%
Days premiums outstanding	144	134	109
Collection period (In months)	4.7	4.4	3.6

Source: audited financial statements and management analysis and reports

The amount of gross premium and insurance balance receivable includes policyholder premium and reinsurance premium. In FY 2011 the net premium receivables was SAR 389.09 million and the percentage of average premium receivables to the gross written premium was 39.4% which reduced to 36.6% in FY 2012 with reduction in net premium receivable to SAR 301.56 million. However, in FY 2013 this amount of net premium receivable increased to SAR 419.85 .million due to increase in gross written premium by 26.3% from SAR 1.024 billion to SAR 1.293 billion

Figure 6-27: Calculation of provision for doubtful debts - 31 December 2013

Calculation of Provision for Doubtful Debts - 31 December 2013					
SAR in 000s	**Not due yet + overdue for less than 90 days**	**Overdue for 90 to 180 days**	**Overdue for 180 to 360 days**	**Overdue for more than 360 days**	**Total**
Gross premium and insurance balance receivable					
Gross Receivables - Policy Holders	363,016	38,112	16,390	13,285	430,803
Gross Receivables -Reinsurers	3,312	498	508	3,439	7,757
Other Insurers	3,476	50	155	94	3,775
					442,335
Provision for doubtful debts % Policy Holders	0%	15%	25%	75%	
Policyholders	-	5,717	4,098	9,965	19,779
Provision for doubtful debts % Reinsurers	0%	0%	10%	75%	
Reinsurers	-	-	51	2,580	2,631
Provision for doubtful debts % Insurers	0%	0%	0%	75%	
Other Insurers	-	-	-	71	71
Provision for doubtful debts		5,717	4,148	12,616	22,481

Source: management analysis and SAMA standards

Gross premium and insurance balance receivable decreased from SAR 420 million in 2011 to SAR 329 million in 2012, .due to the improvement of collection during 2012

Provision for doubtful debts declined from SAR 30.13 million in 2011 to SAR 27.9 million in 2012. Average gross receivable as a % of GWP decreased from 39.3% in 2011 to 32.1% in 2012. Gross premium receivable increased as on 31 December 2013 to SAR 442.3 million, while provision for doubtful debts declined by 19.5%, amounting to SAR 22.5 million

Receivables within 90 days account for 83.6% of gross receivables for 2013, due to the Company's continuous effort in .improving collection

Deferred Policy Acquisition Costs

Table 6-28: Deferred acquisition costs

Deferred Acquisition Costs			
SAR in 000s	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited
Deferred acquisition costs at beginning of year	7,898	9,462	9,133
Commission paid during the year	22,777	22,278	21,934
Commission expense incurred during the year	(21,213)	(22,607)	(23,951)
Deferred acquisition costs at end of year	9,462	9,133	7,117
Table: 6.30 – Deferred Acquisition Costs	*Source: Company's Audited Financial Statement*		
Key Ratios			
DAC/Commission paid during the year	41.5%	41%	32%

Figure 6-29: Deferred acquisition costs by line of business

Deferred Acquisition Costs by Line of Business Wise						
SAR in 000s	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited	% of 2011	% of 2012	% of 2013
Marine	174	115	35	1.8%	1.3%	0.5%
Medical	3,653	1,710	878	38.6%	18.7%	12.3%
Motor	3,756	4,994	3,026	39.7%	54.7%	42.5%
Fire	321	314	343	3.4%	3.4%	4.8%
General Accident	531	422	668	5.6%	4.6%	9.4%
Engineering	1,027	1,577	2,166	10.9%	17.3%	30.4%
Energy	-	-	-	0.0%	0.0%	0.0%
TOTAL	**9,462**	**9,133**	**7,117**	**100.0%**	**100.0%**	**100.0%**

Source: management reports

Figure 6-30: Commission paid by line of business

Commission paid by line of business wise			
SAR in 000s	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited
Marine	574	521	1,518
Medical	9,809	4,719	3,352
Motor	8,301	11,874	10,853
Fire	1,518	1,554	1,598
General Accident	1,282	1,027	1,557
Engineering	1,293	2,582	3,057
Energy	-	-	-
TOTAL	**22,777**	**22,278**	**21,934**

Source: Management Reports

Figure 6-31: DAC/Commission paid by line of business

DAC / Commission Paid by Line of Business Wise			
	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited
Marine	30.3%	22.2%	2.3%
Medical	37.2%	36.2%	26.2%
Motor	45.2%	42.1%	27.9%
Fire	21.1%	20.2%	21.5%
General Accident	41.4%	41.1%	42.9%
Engineering	79.5%	61.1%	70.8%
Energy	-	-	-
TOTAL	**42.5%**	**37.1%**	**31.9%**

Source: Management Reports

Deferred acquisition costs were calculated for the whole period covered by the analysis on pro-rata basis according to the paid commission for all insurance lines; Except for marine insurance, where deferred acquisition costs are calculated as per fixed percentage amounting to 25% on marine insurance commissions. In general, deferred acquisition costs changed as to cope with changes in GWP and unearned premiums income.

In 2013, motor insurance operations contributed to 42.5% of the gross deferred acquisition costs, followed by engineering insurance operations by 30.4% and then medical insurance by 12.3%. DAC/commission paid decreased from 42.5% in 2011 to 31.9% in 2013, as to cope with the decrease of % unwritten premiums reserve/GWP for most of insurance lines.

Figure 6-32: Net outstanding claims and IBNR

Net Outstanding Claims and IBNR			
SAR in 000s	31-Dec-2011 Audited	31-Dec-2012 Audited	31-Dec-2013 Audited
Gross outstanding claims (excluding IBNR):			
At beginning of year	145,553	176,837	111,676
Change during the year	31,284	(65,161)	58,023
Gross outstanding claims at the year-end (excluding IBNR)	**176,837**	**111,676**	**169,699**
Gross IBNR:			
At beginning of year	78,899	81,362	77,013
Change during the year	2,463	(4,349)	49,950
Gross IBNR at the year-end	81,362	77,013	126,963
Gross outstanding claims and IBNR	**258,199**	**188,689**	**296,662**
Reinsurers share of outstanding claims (excluding IBNR):			
At beginning of year	63,362	93,476	56,420
Change during the year	30,114	(37,056)	40,777
RI share of outstanding claims at the year-end (excluding IBNR)	**93,476**	**56,420**	**97,197**
Reinsurers share of IBNR:			
At beginning of year	9,692	28,251	18,770

Change during the year	18,559	(9,481)	(1,249)
RI share of IBNR at the year-end	**28,251**	**18,770**	**17,521**
RI share of outstanding claims and IBNR	**121,727**	**75,190**	**114,718**
Net outstanding claims (excluding IBNR)	**83,361**	**55,256**	**72,502**
Net IBNR	**53,111**	**58,243**	**109,442**
Net outstanding claims and IBNR	**136,472**	**113,499**	**181,944**

Source: audited financial statements and reporting forms submitted to SAMA

Net outstanding claims and IBNR decreased from SAR 136.47 million in 2011 to SAR 113.5 million in 2012, due to the increase of paid up claims over the same period.

Net outstanding claims and IBNR substantially increased in 2013 amounting to SAR 181.49 million compared to SAR 113.5 million in 2012, due to the increase of IBNR provision during 2013 further the actuary recommendation included in the financial position statement for 2013.

The reinsurer's share of outstanding claims and IBNR increased by 52.6% to SAR 114.7 million in FY 2013 as compared to SAR 75.19 million in FY 2012.

Reinsurers' share of outstanding claims and IBNR increased from SAR 75.19 million in the financial year 2012 to SAR 114.7 million in the financial year 2013, by 52.5%, while gross outstanding claims and IBNR increased from 57.2% in the fiscal year 2013, compared to the financial year 2012.

(Figure 6-33: Gross outstanding claims and reinsurers share of O/S claims by line of business (excluding IBNR

Gross Outstanding Claims and Reinsurers Share of O/S Claims by Line of Business (excluding IBNR)						
SAR in 000s	**31-Dec-2011 Audited**	**31-Dec-2012 Audited**	**31-Dec-2013 Audited**	**% of 2011**	**% of 2012**	**% of 2013**
Marine	5,387	5,289	10,563	3.05%	4.74%	6.22%
Medical	11,487	14,914	22,944	6.50%	13.35%	13.52%
Motor	62,595	35,673	37,300	35.40%	31.94%	21.98%
Fire	35,238	11,657	37,816	19.93%	10.44%	22.28%
General Accident	1,190	1,553	8,263	0.67%	1.39%	4.87%
Engineering	37,942	40,809	52,813	21.46%	36.54%	31.12%
Energy	22,998	1,781	-	13.01%	1.59%	0.00%
Gross outstanding claims	**176,837**	**111,676**	**169,699**	**100.00%**	**100.00%**	**100.00%**
Marine	2,750	2,647	5,713	2.94%	4.69%	5.88%
Medical	106	1,471	125	0.11%	2.61%	0.13%
Motor	1,106	984	13	1.18%	1.74%	0.01%
Fire	31,181	11,150	35,427	33.36%	19.76%	36.45%
General Accident	446	300	6,165	0.48%	0.53%	6.34%
Engineering	35,172	38,108	49,754	37.63%	67.54%	51.19%
Energy	22,715	1,760	-	24.30%	3.12%	0.00%
RI share of outstanding claims	**93,476**	**56,420**	**97,197**	**100.00%**	**100.00%**	**100.00%**

Marine	51.0%	50.0%	54.1%
Medical	0.9%	9.9%	0.5%
Motor	1.8%	2.8%	0.0%
Fire	88.5%	95.7%	93.7%
General Accident	37.5%	19.3%	74.6%
Engineering	92.7%	93.4%	94.2%
Energy	98.8%	98.8%	-
RI OS claims / Gross OS claims	**52.9%**	**50.5%**	**57.3%**

Source: Management's reports

Figure 6-34: Net IBNR by line of business

Net IBNR by Line of Business						
SAR in 000s	**31-Dec-2011 Audited**	**31-Dec-2012 Audited**	**31-Dec-2013 Audited**	**% of 2011**	**% of 2012**	**% of 2013**
Marine	642	755	217	1.21%	1.30%	0.20%
Medical	33,629	15,728	30,117	63.32%	27.00%	27.52%
Motor	17,562	39,923	77,632	33.07%	68.55%	70.93%
Fire	523	403	457	0.98%	0.69%	0.42%
General Accident	136	518	539	0.26%	0.89%	0.49%
Engineering	603	849	480	1.14%	1.46%	0.44%
Energy	16	67	-	0.03%	0.12%	0.00%
Total Net IBNR	**53,110**	**58,244**	**109,443**	**100.00%**	**100.00%**	**100.00%**

Source: Management Reports

Gross outstanding claims for the financial year 2013 amounted to SAR 169.7 million of which SAR 97.2 million as RI OS claims representing a 57.3% recovery for gross due amount.

Gross outstanding claims for engineering insurance increased from SAR 37.9 million in 2011 to SAR 52.8 million in 2013, along with the increase of GWP from SAR 85.9 million to SAR 217.5 million for the same period. The RI coverage for outstanding claims remained at a ratio of 92%-94% over 3 years.

Gross outstanding claims for fire insurance amounted to SAR 37.8 million in 2013, accounting for 22.3% of gross outstanding claims.

Gross outstanding claims for motor vehicle insurance amounted to SAR 37.3 million in 2013 accounting for 22% of gross outstanding claims. The decrease of gross outstanding claims for motor insurance from SAR 62.6 million in 2011 to SAR 35.7 million in 2012 is due to the increased settlement in 2012 of outstanding claims related to previous years.

The gross outstanding claims for motor in FY 2013 amounts to SAR 37.3 million representing 22% of the total amount of outstanding claims. The reduction in gross outstanding claims amount of SAR 62.6 million in FY 2011 to touch SAR 35.7 million in FY 2012 which is due increased settlement of the old outstanding claims in the past years.

Figure 6-35: Unearned premium and reinsurance share of URP by line of business

Unearned Premium and Reinsurance Share of UPR by Line of Business			
SAR in 000s	**31-Dec-2011 Audited**	**31-Dec-2012 Audited**	**31-Dec-2013 Audited**
Marine	4,745	3,994	7,312
Medical	114,947	67,862	57,808
Motor	195,831	168,434	176,959
Fire	8,261	9,365	11,604
General Accident	5,900	6,876	7,618
Engineering	73,170	79,848	114,153
Energy	-	-	-
Total UPR (excluding PDR)	**402,853**	**336,380**	**375,450**
Premium Deficiency Reserve (PDR)	1,281	1,421	13,727
Total UPR (including PDR)	**404,137**	**337,801**	**389,177**
Marine	2,369	2,245	4,434
Medical	2,684	2,513	2,705
Motor	259	1,213	1,476
Fire	7,219	8,119	10,144
General Accident	3,816	4,616	4,730
Engineering	67,104	72,669	100,413
Energy	-	-	-
Total RI share of UPR	**83,450**	**91,376**	**123,903**
UPR (excluding PDR) / GWP			
Marine	27.5%	21.4%	27.5%
Medical	37.1%	29.5%	36.3%
Motor	39.5%	35.3%	26.3%
Fire	21.0%	19.9%	19.8%
General Accident	63.1%	38.3%	37.4%
Engineering	85.2%	64.7%	52.5%
Energy	0.0%	0.0%	0.0%
Total RI share of UPR	**37.7%**	**32.8%**	**29.0%**
RI UPR / Ceded premium			
Marine	31.3%	26.4%	28.3%
Medical	39%	39.9%	41.4%
Motor	5.0%	19.5%	26.1%
Fire	20.1%	18.8%	18.8%
General Accident	44.3%	50.8%	47.4%
Engineering	96.1%	67.6%	51.4%
Energy	0.0%	0.0%	0.0%
Total RI share of UPR	**35.0%**	**31.8%**	**29.5%**

Source: Management Reports

Unearned premium reserve is calculated on a pro-rata basis / GWP, for all lines of business except marine insurance where earned premium reserve is calculated by applying fixed percentage of 25% on GWP. As for engineering insurance, relevant authorities recommend a specific equation.

Unearned premium reserve (except premium deficiency reserve) decreased from SAR 402.8 million in 2011 to SAR

336.3 million in 2012, due to the decrease of unearned premium reserve for medical and motor insurance, in proportion with the decrease in such insurance lines.

Increase of RI share of UPR is affected by the increase of operations in the line of general accidents and engineering and thus by the increase of cession in such lines.

Gross UPR (except PDR) increased on 31 December 2013, to SAR 375.4 million, due to the increase of UPR in motor and engineering lines.

RI share of UPR has recorded an increase over the past 3 years, from SAR 83.4 million in 2011, to SAR 91.4 million in 2012, amounting to SAR 123.9 million in 2013. This is due to the increase of UPR in fire and engineering insurance, reinsured through optional agreements.

As per actuary recommendations, the PDR for 2013 was increased from SAR 1.42 million to SAR 13.73 million, due to a reserve formation of SAR 5.73 million and of SAR 8 million for medical and motor insurance respectively.

Related Party Transaction and Balances

Figure 6-36: Related Party Transactions and balances

Related Party transactions and balances			
	Amount of transaction during (000')		
Related Party & nature of transaction	**31-December 2011**	**31-December 2012**	**31-December 2013**
Insurance Operations			
Shareholders:			
UCA Bahrain B.S.C.			
Balance at beginning of year	34,409	-	-
Transfer of ASF investments	19,029	-	-
Funds received	(53,438)	-	-
Balance as of year end	**-**	**-**	**-**
Saudi Bin Laden-Group			
Balance at beginning of year	237,834	215,804	156,864
Premium	390,072	260,242	387,375
Payments & claims	(412,102)	(319,182)	(309,214)
Balance as of year end	**215,804**	**156,864**	**235,025**
Rashed Al Rashed-Group			
Balance at beginning of year	16,401	9,591	10,898
Premium	21,986	23,316	36,391
Payments & claims	(28,796)	(22,009)	(37,727)
Balance as of year end	**9,591**	**10,898**	**9,562**
Saudi import Company			
Balance at beginning of year	3,350	4,189	-
Premium	11,162	12,550	-
Payments & claims	(10,323)	(12,396)	-

Balance as of year end	**4,189**	**4,343**	**-**
Al Faisaliah Group			
Balance at beginning of year	-	33	-
Premium	2,104	6,897	-
Payments & claims	(2,071)	(7,580)	-
Balance as of year end	**33**	**(650)**	-
Board member:			
Claim and Risk Services (CARS)			
Balance at beginning of year	-	(4,082)	203
Claims handling fee	-	(5,690)	(7,135)
Payments made	-	9,975	7,762
Balance as of year end	**-**	**203**	**(803)**
Claim and Risk Services (CARS)			
Balance at beginning of year	-	8	2
Premium	-	649	694
Payments & claims	-	(655)	(151)
Balance as of year end	**-**	**2**	**545**
Law Office of Hassan Mahassni			
Balance at beginning of year	-	85	65
Premium	-	322	323
Payments & claims	-	(342)	(318)
Balance as of year end	**-**	**65**	**70**
Shareholders' Operations			
UCA Bahrain B.S.C.			
Balance at beginning of year	78,400	24,962	-
Goodwill payable	53,438	(24,962)	-
Balance as of year end	**24,962**	**-**	**-**
Najm for insurance services			
Balance at beginning of year	230	230	230
Expenses	-	-	500
Balance as of year end	**230**	**230**	**270**
Board members			
BOD remunerations	912	1,154	1,154

Source: Audited Financial Statement

UCA Bahrain insurance balance amounted to SAR 34.41 million in 2011, and the Company transferred available-for-sale investments amounting to SAR 19.03 million, to the account of UCA Bahrain in 2011, the total balance becoming SAR 53.44 million.

Balance/amount payable for UCA Bahrain was paid from shareholder's operations at the end of 2011; against goodwill

payable for UCA Bahrain estimated a SAR 78.4 million in virtue of the agreement approved by SAMA.

The remaining amount was paid up by the end of 2012 from shareholders' accounts.

The balance of the shareholding companies (Saudi Bin Laden-Group, Rached Al Rached Group, Saudi Import Company and Al Faisaliah Group) represents the companies' dealings as the Company's agents in 2011 and 2012. As for 2013, there was no balance for Saudi Import Company and Al Faisaliah Group, not being anymore shareholders in the Company.

Other groups of related parties are shown in the statements through dealings with directors and shareholders in both companies. Dealings with such groups are stated in the financial statements for 2011, 2012 and 2013.

Statement of changes in Shareholders' Equity

Figure 6-37: Statement of changes in shareholders' equity

Statement of changes in shareholders' equity					
SR in 000s	**Share Capital**	**Retained Earnings**	**Statutory Reserve**	**Change in value of ASF investment**	**Total**
Balance as at 1 January 2011	200,000	75,450	18,862	708	295,020
Changes in fair value of ASF investments	-	-	-	(303)	(303)
Net income for the year	-	50,666	-	-	50,666
Transferred to statutory reserve	-	(8,567)	8,567	-	-
Dividend	-	(20,000)	-	-	(20,000)
Zakat and income tax for the year	-	(7,833)	-	-	(7,833)
Balance as at 31 December 2011	**200,000**	**89,716**	**27,429**	**405**	**317,550**
Balance as at 1 January 2012	200,000	89,716	27,429	405	317,550
Changes in fair value of ASF investments	-	-	-	(175)	(175)
Net income for the year	-	30,136	-	-	30,136
Transferred to statutory reserve	-	(4,515)	4,515	-	-
Dividend	-	(20,000)	-	-	(20,000)
Zakat and income tax for the year	-	(7,560)	-	-	(7,560)
Balance as at 31 December 2012	**200,000**	**87,777**	**31,944**	**230**	**319,951**
Balance as at 1 January 2013	200,000	87,777	31,944	230	319,951
Changes in fair value of ASF investments	-	-	-	616	616
Net income for the year	-	(78,256)	-	-	(78,256)
Transferred to statutory reserve	80,000	(80,000)	-	-	-
Dividend	-	(266)	-	-	(266)
Zakat and income tax for the year	-	(5,882)	-	-	(5,882)
Balance as at 31 December 2013	**280,000**	**(76,627)**	**31,944**	**846**	**236,163**

Source: audited financial statements

The Company's share capital as at 31 December 2013 amounted to SAR 280,000,000 consisting of 28.000.000 shares with a value of SAR 10 for each share.

Shareholders' equity as at 31 December 2011 amounted to SAR 317.55 million due to a surplus of SAR 53 million in insurance operations.

By 31 December 2012, shareholders' equity amounted to SAR 319.95 million following a gain of SAR 25.38 million in insurance operations.

By 31 December 2013, shareholder's equity decreased to SAR 236.16 million following the loss incurred by the Company in insurance operations.

During the fiscal year 2013, the Company has increased its paid up capital by SAR 80 million through the transfer of a balance from retained earnings account and the allocation of two free shares for each 5 shares held by the shareholder.

The Company intends to increase its share capital in the financial year 2014 for the following reasons:

- The increase of solvency in accordance with applicable regulations
- The increase of the Company's capacity of undertaking major insurance contracts, mainly those related to the operations of companies.
- The diversification of the Company's cash returns.

Cash Flow Statement (Policyholders and Shareholders)

(Figure 6-38: Cash Flow Statement (policyholders and shareholders

Cash Flow Statement (Policyholders and Shareholders)			
SR in 000s	**31-December 2011**	**31-December 2012**	**31-December 2013**
Policyholders:			
Net Cash from operating activities	33,674	(115,326)	15,916
Net Cash from investing activities	(27,076)	(61,450)	35,970
Cash and bank balance at beginning of the year	204,310	210,908	34,132
Cash and bank balance at end of the year	**210,908**	**34,132**	**86,018**
Shareholders:			
Net Cash from operating activities	67,888	17,864	17,837
Net Cash from investing activities	113,322	(147,330)	31,851
Net Cash from financing activities	(20,000)	(20,000)	10,484
Cash and bank balance at beginning of the year	20,570	181,780	32,314
Cash and bank balance at end of the year	**181,780**	**32,314**	**92,486**

Source: Audited Financial Statements

Insurance operations achieved a negative cash flow of SAR 115.3 million in 2012, compared to a positive cash flow of SAR 33.7 million in 2011, due to changes in the assets and liabilities of such operations in 2012, adversely affecting the cash flow by SAR 119.4 million.

The major changes are as follows:

- The decrease of net premiums receivable from SAR 381.1 million in 2011, to SAR 281.1 million in 2012, due to the improvement of the administration premiums collection effort; resulting in the increase of the cash flow for insurance operations by SAR 101.4 million in 2012.
- The decrease of reinsurance shares in outstanding claims from SAR 121.7 million in 2011, to SAR

75.2 million in 2012, increasing the cash flow of insurance operations by SAR 46.5 million in 2012.

- The decrease of reinsurance paid share by SAR 49.4 million, increasing the cash flow.

- The decrease of unearned premiums due to the change in the calculation method of unearned premiums in the engineering insurance business.

- The increase of payments under outstanding claims, due payments and payables to insurance operations, leading to the decrease of the cash flow by SAR 185.4 million in 2012.

Cash and cash equivalents amounted at the end of 2012 to SAR 34.1 million compared to SAR 201.9 million at the end of 2011. This decline is due to negative results of operating activities in 2012.

In the fiscal year 2013, the positive product of insurance operating activities amounted to SAR 15.9 million compared to a negative product of SAR 115.3 million in 2012. This is due to changes in assets and liabilities of operating activities in 2013, positively affecting the cash flow as a result of the huge increase of reinsurance paid share, unearned premiums and outstanding claims, from SAR 581.7 million in 2012 to SAR 863.1 million in 2013.

As a result, cash and cash equivalents increased in 2013 to SAR 86.0 million compared to SAR 34.1 million at the end of 2012.

As for the cash flow statements of shareholders, cash and cash equivalents have decreased from SAR 181.8 million in 2011 to SAR 32.3 million in 2012, due to the decrease of net cash from operating activities from SAR 67.9 million in 2011 to SAR 17.8 million in 2012, in addition to the achievement of negative net cash from investing activities amounting to SAR 147.3 million in 2012.

Cash and cash equivalents increased from SAR 32.3 million in 2012 to SAR 92.5 million in 2013, due to a positive net from investing activities amounting to SAR 31.8 million in 2013.

Admissible Assets and Solvency

Figure 6-39: Total Admissible Assets- Policyholders & Shareholders

Total Admissible Assets - Policyholders & Shareholders			
SAR in 000s	**31-Dec-2011 Audited**	**31-Dec-2012 Audited**	**31-Dec-2013 Audited**
Cash and cash equivalents	392,688	66,446	178,504
Investments	90,753	301,673	247,875
Insurance, reinsurance and other receivables due within 90 days	390,128	230,549	458,413
Reinsurance share of unearned premiums	83,450	91,375	123,901
Reinsurance share of outstanding claims	121,725	75,189	114,716
Accrued interest, rent income	20	7	342
Deferred acquisition costs	9,462	9,133	7,117
Distribution due from insurance operations	47,708	22,847	-
Prepaid expenses	30,118	24,095	31,305
Property and equipment	8,542	8,743	6,849
Total admissible assets	**1,174,594**	**830,057**	**1,150,135**

Source: SAMA Reporting Form

As per article 65 (1) of the Implementing Regulations issued by SAMA, the assets market value should not exceed the assessment rate, for the purpose of calculating the solvency margin. If the % of gross assets is below the admission factor, the whole asset will be admissible.

As per article 65 (2) of the Implementing Regulations issued by SAMA, the maximum %for each of the assets categories/gross assets is 20%.

Amendments are done manually by SAMA, to reflect deductions not compliant with the restrictions of assets concentration and exceeding the fixed assets ceiling.

Figure 6-40: Calculation of Solvency Margin for 2013

Calculation of Solvency Margin for 12 Months Ending June 2013					
SAR in 000s	**Gross Written Premium**	**Net Written Premium**	**Retention Rate (Min NWP/ GWP=50%)**	**Class Risk factor**	**Required solvency**
Marine	26,616	10,936	50.0%	30.0%	3,992
Medical	159,182	152,649	95.9%	16.0%	24,424
Motor	673,171	667,511	99.2%	20.0%	133,502
Fire	58,710	4,629	50.0%	16.0%	4,697
General Accident	22,933	12,966	56.5%	30.0%	3,890
Engineering	217,515	22,255	50.0%	30.0%	32,627
Energy	134,847	2,321	50.0%	30.0%	20,227
Total	**1,292,974**	**873,267**			**223,359**

Source: SAMA Reporting Form

As per the requirements of the implementing regulations issued by SAMA, the Company should keep a solvency margin equivalent to the highest of the following amounts: requirements of minimum share capital (SAR 200 million), premiums solvency margin (SAR 223.3 million as on 31 December 2013) and the claims solvency margin (SAR 188.5 million as on 31 December 2013). Accordingly, the required solvency margin of the Company is SAR 223.3 million as on 31 December 2013.

Solvency analysis

Figure 6-41: Solvency analysis

Solvency Analysis	
SAR in 000s	**31/12/2013 (Audited)**
Admissible Assets	
Policyholders' Operations	881,992
Shareholders' Operations	285,503
Total admissible assets	**1,167,495**
Liabilities	
Policyholders' Operations	963,476
Shareholders' Operations	128,618
Total liabilities	**1,092,094**
Total Admissible Assets	

Policyholders' Operations	(81,484)
Shareholders' Operations	156,885
Total Net Admissible Assets	**75,401**
Required Minimum Solvency Margin	**223,339**
Excess (deficiency) of net admissible assets over required minimum solvency margin	**(147,958)**
Solvency Margin Cover	**33.8%**

Source: SAMA Reporting Form

The deficiency of net admissible assets over required minimum solvency margin amounted to SAR 147.9 million as on 31 December 2013.

The solvency margin (Net admissible assets over required minimum solvency margin divided by required minimum solvency) amounted to 33.8% as on 31 December 2013, below the required minimum. The Company is currently undertaking necessary actions to handle this situation as specified in article 68 of the Implementing Regulations issued by SAMA (the increase of share capital, the adjustment of premiums and the reduction of costs).

The expected increase of the Company's share capital may strengthen its solvency margin and cover its accumulated losses.

6-6 Results of insurance operations ending on 30 June 2013, 2014

Figure 6-42: Policyholders' Income Statement and accumulated surplus for the 1st half of 2014

Policy Holders' Income Statement		
SAR 000s	**Six Months Period Ending June-2013 (Un-Audited)**	**Six Months Period Ending June-2014 (Un-Audited)**
Gross Written Premiums	692,850	580,483
RI Premium Ceded	(166,933)	(165,050)
Excess of Loss Premiums	(2,560)	(1,970)
Retained Premium	523,357	413,463
Changes in Unearned Premium	(106,367)	(42,744)
Net Earned Premium	416,990	370,719
RI Commission Received	22,292	19,224
NET REVENUES	**439,282**	**389,943**
Gross Claims Paid	417,276	412,633
RI Share in Claims	(26,202)	(63,015)
Net Claims Paid	391,074	349,618
Changes in O/S Claims	(37,938)	(3,264)
Net Claims Incurred	353,136	346,354
Policy Acquisition Cost	13,144	8,885
NET COSTS and Expenses	**366,280**	**355,239**
Net Underwriting Income	73,002	34,704
General & Administrative Expenses	(52,282)	(49,017)
Supervision & inspection fee	(4,254)	(3,971)
Investment & other income	2,972	1,588
Bad Debt (Expense)/Reversal		

Surplus/(Deficit) from Insurance Operations	**19,438**	**(16,696)**
Shareholders' share of insurance operations from Surplus/(Deficit)	17,494	(16,696)
Surplus for the Period	1,944	-
Accumulated Surplus at the beginning of the Period	21,258	21,258
Accumulated Surplus at the end of the Period	**23,202**	**21,258**

Source: Unaudited financial statements and managements' reports and analysis

NET RATIOS		
Retention Ratio	75.5%	71.2%
Net Earned Premium as % of GWP	60.2%	63.9%
Net Loss Ratio	84.2%	93.4%
Commission Expenses as % of GWP	1.9%	1.5%
Commission Income as % of Ceded Premiums	13.2%	11.5%
Underwriting Surplus as % of GWP	10.5%	6.0%
G & A Expenses as % of GWP	7.5%	8.4%
Surplus/(Deficit) from Insurance Operations as % of GWP	2.8%	-2.9%

Gross written premiums decreased in the first half of 2013, to SAR 692.8 million, and the net results of insurance operations amounted to SAR 73 million.

GWP in the first half of 2014 decreased to SAR 580.4 million due to the decline of motor insurance activities as a result of non-renewal of main policies based on the same previous conditions. In addition to the decline of engineering insurance activities, such policies are not yearly renewable.

As a result, net results of insurance operations decreased during the first half of 2013 from SAR 73 million to SAR 34.7.

Net deficiency in insurance operations amounted to SAR 16.7 million during the first half of 2014, compared to SAR 19.4 million in the first half of 2013, due to the increase of net loss in motor insurance operations resulting from the increase of delayed claims in 2013, which have not been reported at that time.

Shareholders' Income Statement

Figure 6-43: Shareholders' income statement for the 1st half of 2014

Shareholders' Income Statement		
SAR 000s	**Six Months Period Ending June-2013 (Un-Audited)**	**Six Months Period Ending June-2014 (Un-Audited)**
Revenues		
Shareholders Share of Insurance Operation	17,494	(16,696)
Commission Income	450	1,613
Investment Income	8	-
Realized Gain on Investments	7,415	1,020
Total Revenues	25,367	(14,063)
Expenses		
General + Administrative Expenses	305	710

Board Remunerations	518	612
Total Expenses	**823**	**1,322**
NET INCOME (LOSS) BEFORE ZAKAT FOR THE PERIOD	**24,544**	**(15,385)**
Table: 6.45 – Shareholders' Income Statement	*Source: Un-audited Financial Statements*	
NET RATIOS		
Shareholders' G&A Expenses as % of GWP	0.04%	0.12%
Shareholders' net Income/loss as % of GWP	3.54%	-2.65%

Source: unaudited financial statements and management reports and analysis

Shareholders' share accounting for 90% of the surplus of insurance operations for the first half of 2013 amounted to SAR 17.5 million, while deficiency of insurance operations recorded SAR 16.7 million due to the decline of results of motor insurance operations.

Income Statement by line of Business

Figure 6-44: Income statement by line of business for the first half of 2013

Income Statement by line of Business First Half of 2013				
SAR 000s	**MEDICAL**	**MOTOR**	**OTHERS**	**TOTAL**
Gross Written Premiums	88,673	406,077	198,100	692,850
RI Premium Ceded	(3)	(4,176)	(162,754)	(166,933)
Excess of Loss Premiums	(1,110)	(325)	(1,125)	(2,560)
Retained Premium	87,560	401,576	34,221	523,357
Changes in Unearned Premium	(10,249)	(90,925)	(5,193)	(106,367)
Net Earned Premium	77,311	310,651	29,028	416,990
RI Commission Received	1	575	21,716	22,292
NET REVENUES	**77,312**	**311,226**	**50,744**	**439,282**
Gross Claims Paid	(93,423)	(290,778)	(33,075)	(417,276)
RI Share in Claims	1,020	77	25,105	26,202
Net Claims Paid	(92,403)	(290,701)	(7,970)	(391,074)
Changes in O/S Claims	20,837	16,481	620	37,938
Net Claims Incurred	(71,566)	(274,220)	(7,350)	(353,136)
Policy Acquisition Cost	(2,578)	(6,638)	(3,928)	(13,144)
NET COSTS	(74,144)	(280,858)	(11,278)	(366,280)
NET RESULTS OF INS OPERATIONS	**3,168**	**30,368**	**39,466**	**73,002**

Source: Un-audited Financial Statements

Figure 6-45: Income statement by line of business for the first half of 2014

Income Statement by Line of Business First Half of 2014				
SAR 000s	**MEDICAL**	**MOTOR**	**OTHERS**	**TOTAL**
Gross Written Premiums	99,801	282,119	198,563	580,483
RI Premium Ceded	(13)	(424)	(164,612)	(165,050)
Excess of Loss Premiums	(200)	(500)	(1,270)	(1,970)
Retained Premium	99,587	281,195	32,681	413,463
Changes in Unearned Premium	(23,033)	(11,352)	(8,359)	(42,744)
Net Earned Premium	76,554	269,842	24,322	370,719
RI Commission Received	1	423	18,801	19,224
NET REVENUES	**76,555**	**270,265**	**43,123**	**389,943**
Gross Claims Paid	(49,994)	(295,846)	(66,792)	(412,633)
RI Share in Claims	1,883	416	60,716	63,015
Net Claims Paid	(48,111)	(295,430)	(6,077)	(349,618)
Changes in O/S Claims	(17,198)	20,696	(234)	3,264
Net Claims Incurred	(65,309)	(274,734)	(6,311)	(346,354)
Policy Acquisition Cost	(2,305)	(3,306)	(3,275)	(8,885)
NET COSTS	**(67,614)**	**(278,040)**	**(9,585)**	**(355,239)**
	8,942	**(7,775)**	**33,538**	**34,705**

Source: Un-audited Financial Statements

Gross Written Premiums

Figure 6-46: Gross Written Premium for the first half of 2014

Gross Written Premium (GWP) Vs. Net Earned Premium (NEP)				
	GWP		**NEP**	
SAR in 000s	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**
Marine	20,607	16,967	5,525	692,580
Medical	88,673	99,801	77,311	76,555
Motor	406,077	282,119	310,651	269,843
Fire	48,177	49,459	3,601	2,202
General Accident	16,222	16,349	6,608	4,396
Engineering	66,343	45,550	12,905	10,135
Energy	46,751	70,238	389	569
TOTAL	**692,850**	**580,483**	**416,990**	**370,719**

Source: Un-audited Financial Statements

GWP for the first half of 2014 decreased to SAR 580.4 million compared to SAR 692.8 million for the same period in 2013, due to the decline of written premiums in motor insurance operations, from SAR 406 million in the first half of

2013, to SAR 282.1 million in the first half of 2014, as a result of the non-renewal of main insurance policies leading to losses in the previous year.

Figure 6-47: GWP by distribution channel for the first half of 2014

Gross written premium (GWP) by distribution Channel		
SAR in 000s	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**
Direct Sales	452,315	352,038
Branch Sales	191,886	172,859
Brokers	48,649	55,586
Total	**692,850**	**580,483**
Source: Un-Audited Financial Statement		
As a % of Total		
Direct Sales	65.3%	60.6%
Branch Sales	27.7%	29.8%
Brokers	6.0%	3.2%
Total	**100.0%**	**100.0%**

Source: unaudited financial statements

The major part of the Company's operations is function of direct sales including the issue and sale of insurance policies through sales employees at the Company's head office, accounting for 65.3% and 60.6% of GWP for the first half of years 2013 and 2014 respectively.

Sales through branches spread over the kingdom account for 27.7% for the first half of 2013 and 29.8% for the first half of 2014.

Sales through insurance brokers authorized by SAMA only accounted for 6% during the first half of 2013 and for 3.2% in the first half of 2014.

The Company has not designated any sales agents to distribute its products, believing that the role of sale and distribution network in the kingdom is sufficient as for selling and marketing the Company's products.

Reinsurance

Figure 6-48: Premiums ceded by line of business in the first half of 2014

Premium Ceded by line of business (Including Excess of Loss Premium)				
SAR in 000s	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**	**% as at June 2013**	**% as at June 2014**
Marine	14,382	9,807	8.5%	5.9%
Medical	1,113	213	0.7%	0.1%
Motor	4,501	924	2.7%	0.6%
Fire	43,946	45,286	25.9%	27.1%
General Accident	5,863	8,692	3.5%	5.2%
Engineering	53,742	33,069	31.7%	19.6%

Energy	45,946	69,029	27.1%	41.3%
TOTAL	**169,493**	**167,020**	**100.0%**	**100.0%**

Source: Management Report

Figure 6-49: Cession Ration by line of business for the first half of 2014

Cession Ratio by line of business (Including Excess of Loss Premium)		
SAR in 000s	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**
Marine	69.8%	57.8%
Medical	1.3%	0.2%
Motor	1.1%	0.3%
Fire	91.2%	91.6%
General Accident	36.1%	53.2%
Engineering	81.0%	72.6%
Energy	98.3%	98.3%
TOTAL	**24.5%**	**28.8%**
Retention Rate	**75.5%**	**71.2%**

Source: Management Report

Reinsurance premiums in medical insurance activities decreased from SAR 1.11 million in the first half of 2013, to SAR 0.21 million in the first half of 2014, due to paid claims in the first half of 2013 amounting to SAR 0.8 million.

Reinsurance premiums in motor insurance activities decreased from SAR 4.5 million in the first half of 2013, to SAR 0.92 million for the same period in 2014, due to the non-renewal of one of the main insurance agreements as a result of the non-renewal of related insurance policy.

Reinsurance commissions

Figure 6-50: Reinsurance Commission Earned for the first half of 2014

Reinsurance Commission Earned		
SAR in 000s	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**
Commission received (Current Period)	29,652	23,044
Change in unearned commission	(7,360)	(3,820)
Commission Received (Earned)	22,292	19,224

Source: Management Report

Gross commissions received account for 13.2% of gross ceded premiums (reinsurance) in the first half of 2013, and 11.5% for the same period of 2014.

Reinsurance commissions are applied to the activities covered by proportional insurance (such as engineering, fire, marine cargo and general accident insurance). Moreover, the commission income from reinsurers is received from optional insurance activities. Received commissions as a % of ceded premiums are in general compliant with the terms of the agreement specific to each line of insurance per year.

Claims

Table 6-51: Net claims incurred by line of business for the first half of 2014

Net Claims Incurred by Line of Business				
SAR in 000s	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**	**Net Loss Ratio First Half of 2013**	**Net Loss Ratio First Half of 2014**
Marine	3,117	4,689	56.4%	66.8%
Medical	71,566	65,309	92.6%	85.3%
Motor	274,220	274,734	88.3%	101.8%
Fire	1,234	303	34.3%	13.7%
General Accident	23	(304)	0.3%	-6.9%
Engineering	3,064	1,517	23.7%	15.0%
Energy	(88)	106	-22.7%	18.6%
TOTAL	**353,136**	**346,354**	**84.7%**	**93.4%**
As % of Total				
Marine	0.88%	1.35%		
Medical	20.27%	18.86%		
Motor	77.65%	79.32%		
Fire	0.35%	0.09%		
General Accident	0.01%	-0.09%		
Engineering	0.87%	0.44%		
Energy	-0.03%	0.03%		
TOTAL	**100.00%**	**100.00%**		

Source: management reports

The net loss ratio was calculated by dividing net incurred claims by net earned premiums for specified lines of business.

Figure 6-52: Gross Claims paid by line of business for the first half of 2014

Gross Claims Paid by Line of Business				
SAR in 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)	% as at June-2013	% as at June-2014
Marine	3,158	5,062	0.8%	1.2%
Medical	93,423	49,994	22.4%	12.1%
Motor	290,778	295,846	69.7%	71.7%
Fire	2,741	14,285	0.7%	3.5%
General Accident	1,476	1,574	0.4%	0.4%
Engineering	25,700	45,872	6.2%	11.1%
Energy	0	0	0.0%	0.0%
TOTAL	417,276	412,633	100.0%	100.00%

Source: management reports

Gross net loss for the first half of 2013 amounted to 84.7% and increased to 93.4% in the first half of 2014, due to the increase of gross net loss in motor insurance industry as a result of the claims increase in this industry.

Negative product of incurred claims in energy insurance line amounting to SAR 0.088 million in the first half of 2013, and the negative product of incurred claims in general accident insurance line amounting to SAR 0.304 million for the first half of 2014, are due to the decline of net outstanding claims reserve as a result of the decline of paid outstanding claims in the previous year for both cases.

The increase of paid claims in engineering and medical insurance activities for the first half of 2014 was due to outstanding claims incurred by the Company in 2013 and not reported during that year.

Commission Expense

Figure 6-53: Commission incurred in the first half of 2014

Commission Incurred		
SAR in 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)
Commission paid	14,333	10,675
Change in deferred policy acquisition cost	(1,189)	(1,790)
Commission incurred	13,144	8,885
Key Ratio		
Commission paid as a % of GWP	**1.9%**	**1.5%**

Source: unaudited financial statements

Figure 6-54 Gross Claims Incurred by Line of Business

Commission Incurred - Line of Business wise				
SAR in 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)	As % of GWP as at June-2013	As % of GWP as at June-2014
Marine	1,516	1,077	7.4%	6.3%
Medical	2,578	2,305	2.9%	2.3%
Motor	6,638	3,306	1.6%	1.2%
Fire	670	767	1.4%	1.6%
General Accident	550	598	3.4%	3.7%
Engineering	1,192	832	1.8%	1.8%
Energy	-	-	0.0%	0.0%
TOTAL	**13,144**	**8,885**	**1.9%**	**1.5%**
As % of Total				
Marine	11.5%	12.1%		
Medical	19.6%	25.9%		
Motor	50.5%	37.2%		
Fire	5.1%	8.6%		
General Accident	4.2%	6.7%		
Engineering	9.1%	9.4%		
Energy	0.0%	0.0%		
TOTAL	**100.0%**	**100.0%**		

Source: Management Report

The decrease of paid commissions by the end of June 2014 compared to the end of 2013 is due to the decrease of GWP by 16.2% as a result of decrease of motor insurance operations by 30.5%. Commissions incurred at the end of 2014 decreased at the end of June 2014 due to the decrease of acquisition costs of insurance policies.

As per applicable regulations related to brokers and issued by SAMA, commissions' ratios for brokers and agents should not exceed 8% of compulsory motor insurance activity, 10% of the global health insurance premium and 15% of the premium in all other insurance lines. The Company complies with the regulations instructions in its dealings with all brokers. As for paid commission ratio for the period ended in June 2013 and June 2014, it remained at an average of 1.9% and 1.5% respectively of GWP.

General and administrative expenses

Figure 6-55: General and administrative expenses for the first half of 2014

Breakdown of General and Administrative Expenses		
SAR 000s	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**
Policyholders'		
Employee costs	34,791	33,157
Legal & professional fees	645	920
Office rent	5,202	4,340
Depreciation	2,129	1,846
Office expenses	1,395	807
Communication expenses	2,502	1,994
Vehicle expenses	48	46
Withholding tax	1,500	1,500
Printing & stationery	936	682
Courier and postage	250	256
Electricity	108	84
Others	7,030	7,359
Total for the period	**56,536**	**52,989**
Shareholders'		
Professional fees	195	225
Others	628	1,097
Total for the period	**823**	**1,322**
Total for the period	**57,359**	**54,311**
Key Ratio		
Total G&A as a % of GWP	8.3%	9.4%

Source: Management Report

General and administrative expenses decreased to SAR 52.99 million in the first half of 2014 compared to SAR 56.54 million for the first half of 2013; however, gross general and administrative expenses as % of GWP increased in the first half of 2014, amounting to 9.4% compared to 8.3% in the first half of 2013.

This is due to the decrease of GWP during the first half of 2014 by 16.2% compared to the first half of 2013.

Employee costs decreased in the first half of 2014 to SAR 33.16 million compared to SAR 34.89 million for the first half of 2013 due to the decrease of employees' number.

Professional and legal fees increased in the first half of 2014 to SAR 0.92 million compared to SAR 0.65 million during the first half of 2013, due to the increase of incurred additional costs of financial advisors for the increase of the Company's capital share.

Balance Sheet (December 2013 (Audited) and June-2014 (Un-Audited)

Figure 6-56: Balance Sheet of first half of 2014

Balance Sheet		
SAR 000s	**31-Dec-2013 (Audited)**	**30-June-2014 (Un-Audited)**
POLICYHOLDERS' ASSETS		
Cash and cash equivalents	86,018	41,547
Available for sale investments	54,858	55,088
(Premium receivables (Net	411,024	353,735
(Reinsurance Receivables (Net	8,830	48,953
Reinsurers' share of unearned premium	123,901	237,747
Reinsurers' share of outstanding claims	114,716	83,835
Deferred policy acquisition cost	7,117	8,906
Prepayments and other receivables	84,811	129,035
Due from shareholders' operations	86,610	91,635
Furniture, Fittings and Office Equipment	6,849	5,751
Total Insurance Operations' assets	984,734	1,056,232
SHAREHOLDERS' ASSETS		
Cash and cash equivalent	92,486	61,201
Available for sale investments	165,017	171,975
Prepayments and other receivables	878	2,002
Goodwill	78,400	78,400
Statutory Deposit	28,000	28,000
Total Shareholders' Assets	364,781	341,578
TOTAL ASSETS	1,349,515	1,397,810

Balance Sheet Cont'd

	31-Dec-2013 (Audited)	**30-Jun-2014 (Un-Audited)**
POLICYHOLDERS' LIABILITIES		
Reinsurers payables	190,992	153,590
Unearned commission income	25,437	29,257
Unearned premium	375,450	532,040
Unexpired risk reserve	13,727	13,727
Catastrophe reserve	500	500
Outstanding claims	296,662	262,517
Payables to policy holder	29,425	12,893
Accrued and other payables	22,439	20,664
Employees' terminal benefits	9,085	9,797
Total Insurance Operations' Liabilities	**963,717**	**1,034,985**
Insurance Operations' Surplus		

Surplus from insurance operations	21,258	21,258
Available for sale investments reserve	(241)	(11)
Total Insurance Operations' Liabilities and Surplus	**984,734**	**1,056,232**
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders' liabilities		
Accruals and other payables	1,059	1,127
Due to financial institution	18,750	18,750
Due to related party	270	270
Due to insurance operations	86,610	91,635
Accrued Zakat and income tax	21,929	10,641
Total shareholders' liabilities	**128,618**	**122,423**
Shareholders' Equity		
Share Capital	280,000	280,000
Statutory reserve	31,944	31,944
(Accumulated losses)/Retained earnings	(76,627)	(95,012)
Available for sale investments reserve	846	2,223
total Shareholders' Equity	236,163	219,155
Total Shareholders' Liabilities and Equity	**364,781**	**341,578**
TOTAL LIABILITIES, INSURANCE OPERATIONS'		
SURPLUS AND SHAREHOLDERS' EQUITY	**1,349,515**	**1,397,810**

Source: Un-Audited Financial Statement

The policyholders' assets comprised of 75.6% of the Company's total assets in the first half of 2014, cash and equivalents and available-for-sale investments accounting for 6.9% of total assets.
Premium receivables accounted for 25.3% of total assets and RI share in unearned premium accounted for 17%.
At the end of the financial year 2013, SAMA operated a change in calculating the UPR of engineering insurance activities. Due to that change in the calculation method, a substantial increase of UPR claims was recorded at the end of the first half of 2014, amounting to SAR 532 million compared to SAR 375.4 million at the end of 2013. Consequently, the RI share in UPR increased in the first half of 2014 to SAR 237.7 million compared to SAR 123.9 million at the end of 2013.

Outstanding claims reserves decreased from SAR 296.6 million at the end of 2013 to SAR 262.5 million at the end of June 2014, due to the increase of paid claims in engineering insurance activity during the first half of 2014.

Unexpired risk reserve and catastrophe reserve, remained unchanged at the end of June 2014, as per the Company's actuary recommendation.

Cash and Cash Equivalents

Figure 6-57: Cash and Cash Equivalents Shareholders' Operations for the first half of 2014

Cash and Cash Equivalents Shareholders' Operations				
SAR 000s	**First Half of 2013 (Un-Audited)**	**First Half of 2014 (Un-Audited)**	**as at % June-13**	**as at % June-14**
Cash at bank	4,415	61,201	3.6%	100.0%
Short term deposits	117,040	-	96.4%	0.0%
TOTAL	**121,455**	**61,201**	**100.0%**	**100.0%**

Source: Un-Audited Financial Statement

Cash and Cash Equivalents Policyholders' Operations				
SAR 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)	% as at June-2013	% as at June-2014
Cash at Bank	85,370	41,547	60.5%	100.0%
Short term deposits	55,823	-	39.5%	0.0%
TOTAL	**141,193**	**41,547**	**100.0%**	**100.0%**

Source: Un-Audited Financial Statement

Statutory Deposits		
SAR 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)
Statutory Deposits	28,000	28,000
TOTAL	**28,000**	**28,000**

Source: Un-Audited Financial Statement

The shareholders' cash and cash equivalent by the first half of 2014 reduced to SAR 61.2 Million due to increase in investment in available for sale investments category.

The Statutory Deposit was not subject to any change remaining at SAR 28 million by the end of June 2013 and June 2014, accounting for 10% of the Company's share capital.

Premium and Insurance Balances Receivable

Figure 6-59: Premium and Insurance Balance Receivable for the first half of 2014

Premium and Insurance Balance Receivable		
SAR in 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)
Gross premium and insurance balance receivable	420,571	426,374
Net premium receivable	392,222	402,688
Key Ratios		
Gross written premium (6 months)	692,850	580,483
Collection Period (in months)	60.7%	73.5%

Source: Un-Audited Financial Statement

Calculation of Provision for Doubtful Debts –First Half of 2014					
SAR in 000s	Not due yet + overdue for less than 90 days	Overdue for 90 to 180 days	Overdue for 180 to 360 days	Overdue for more than 360 days	Total
Gross premium and insurance balance receivable					
Gross Receivables - Policy Holders	297,705	51,138	12,012	14,216	375,071
Gross Receivables -Reinsurers	39,375	3,266	265	2,966	45,872
Other Insurers	143	3,038	2,118	133	5,432
					426,375
Provision for doubtful debts % Policy Holders	0%	15%	25%	75%	
Policyholders	-	7,671	3,003	10,662	21,336
Provision for doubtful debts % Reinsurers	0%	0%	10%	75%	
Reinsurers	-	-	25	2,225	2,250
Provision for doubtful debts % Insurers	0%	0%	0%	75%	
Other Insurers	-	-	-	100	100
Provision for doubtful debts		7,671	3,028	12,987	**23,686**

Table6.63 – Calculation of Provision for doubtful debts *Source: Un-Audited Financial Statement*

The gross insurance premiums receivable in the first half of 2014 has increased to SAR 426.4 Million because at the year end of FY 2013 the gross annual premium increased by 26% as compared to FY 2012.

The provision for doubtful debts reduced by 16% as compared to first half of 2013. However, 79% of the total receivables in the first half of 2014 were within 90 days.

Deferred Policy Acquisition Cost

Figure 6-61: Deferred acquisition costs for the first half of 2014

Deferred Acquisition Costs		
SAR in 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)
Deferred acquisition costs at beginning of year	9,133	7,117
Commission paid during the year	14,333	10,675
Commission expense incurred during the year		
Deferred acquisition costs at end of year	10,322	8,906
Key Ratios – Incurred Commission	13,144	8,885
DAC/Commission paid during the year	72.0%	83%

Source: Un-Audited Financial Statement

Figure 6-62: Deferred acquisition costs by line of business wise for the first half of 2014

Deferred Acquisition Costs by Line of Business Wise				
SAR in 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)	% as at June-13	% as at June-14
Marine + Aviation	390	152	3.8%	1.7%
Medical	1,918	2,184	18.6%	24.5%
Motor	5,310	2,886	51.4%	32.4%
Fire	915	983	8.9%	11.0%
General Accident	464	728	4.5%	8.2%
Engineering	1,325	1,973	12.8%	22.2%
Energy	-		0.0%	0.0%
TOTAL	**10,322**	**8,906**	**100.0%**	**100.0%**

Source: unaudited financial statements

Figure 6-63: Commission paid by line of businesswise for the first half of 2014

Commission Paid by Line of Business Wise		
SAR in 000s	First Half of 2013 (Un-Audited)	First Half of 2014 (Un-Audited)
Marine	1,769	1,160
Medical	2,786	3,610
Motor	6,954	3,166
Fire	1,272	1,408
General Accident	613	692
Engineering	939	640
Energy	-	-
TOTAL	**14,333**	**10,675**

Source: Management Reports

Deferred acquisition costs decreased in the first half of 2014 to SAR 8.9 million, compared to SAR 10.3 million for the same period of 2013, due to the decline of acquisition costs of motor insurance policies from SAR 5.3 million in the first half of 2013, to SAR 2.8 million in the first half of 2014.

Paid commissions decreased from SAR 14.3 million in 2013 to SAR 10.7 million in the first half of 2014. This is due to the decrease of paid commissions for motor insurance operations from SAR 6.9 million to SAR 3.2 million for the same period of 2013 and 2014.

Outstanding Claims and IBNR, Reinsurance Shares of Outstanding Claims & IBNR

Figure 6-64: Net outstanding claims and IBNR for the first half of 2014

Net Outstanding Claims and IBNR		
SAR in 000s	**31-Dec-2013 (Audited)**	**30-Jun-2014 (Un-Audited)**
Gross outstanding claims (excluding IBNR):		
At beginning of period	111,676	169,699
Change during the period	58,023	31,165
Gross outstanding claims at the end of period (excluding IBNR)	**169,699**	**138,534**
Gross IBNR:		
At beginning of period	77,013	126,963
Change during the period	49,950	2,980
Gross IBNR at the end of period	**126,963**	**123,983**
Gross outstanding claims and IBNR	**296,662**	**262,517**
Reinsurers share of outstanding claims (excluding IBNR):		
At beginning of period	56,419	97,195
Change during the period	40,776	24,195
RI share of outstanding claims at the end of period (excluding IBNR)	**97,195**	**73,000**
Reinsurers share of IBNR:		
At beginning of period	18,770	17,521
Change during the period	(1,249)	6,686
RI share of IBNR at the end of period	**17,521**	**10,835**
RI share of outstanding claims and IBNR	**114,716**	**83,835**
Net outstanding claims (excluding IBNR)	**72,504**	**65,534**
Net IBNR	**109,442**	**113,148**
Net outstanding claims and IBNR	**181,946**	**178,682**

Source: Audited & Un-Audited Financial Statement & SAMA reporting forms

The overall gross outstanding claims decreased during the first half of 2014 to SAR 138.5 million compared to SAR 169.7 million by the end of 2013, due to the decrease of gross outstanding claims of engineering insurance operations to SAR 20.5 million in the first half of 2014 compared to SAR 52.8 million in the end of 2013.

Net outstanding claims during the first half of 2014 decreased by SAR 6.9 million compared to the end of 2013, along with a decrease of written premiums by 16% in the first half of 2014 compared to GWP in the first half of 2013.

Figure 6-65: Outstanding claims and IBNR by line of business for the first half of 2014

Outstanding Claims and Reinsurers Share of OS Claims by Line of Business (excluding IBNR)				
SAR in 000s	**31-Dec-2013 (Audited)**	**30-June-2014 (Un-Audited)**	**% of FY 2013**	**% as at June 2014**
Marine	10,563	18,701	6.22%	13.50%
Medical	22,944	16,315	13.52%	11.78%
Motor	37,300	39,848	21.98%	28.76%
Fire	37,816	30,456	22.28%	21.98%
General Accident	8,263	5,148	4.87%	3.72%
Engineering	52,813	20,566	31.12%	14.85%
Energy	-	7,500	0.00%	5.41%
Gross outstanding claims	**169,699**	**138,534**	**100.00%**	**100.00%**
Marine	5,713	12,863	5.88%	17.62%
Medical	125	1,408	0.13%	1.93%
Motor	13	1,900	0.01%	2.60%
Fire	35,427	28,403	36.45%	38.91%
General Accident	6,163	3,360	6.34%	4.60%
Engineering	49,754	17,658	51.19%	24.19%
Energy	-	7,408	0.00%	10.15%
RI share of outstanding claims	**97,195**	**73,000**	**100.00%**	**100.00%**
Marine	54.1%	68.8%		
Medical	0.5%	8.6%		
Motor	0.0%	4.8%		
Fire	93.7%	93.3%		
General Accident	74.6%	65.3%		
Engineering	94.2%	85.9%		
Energy	0.0%	98.8%		
RI OS claims / Gross OS claims	**57.3%**	**52.7%**		

Source: Management Reports

Figure 6-66: Net IBNR by line of business

Net IBNR by line of business				
SAR in 000s	31-Dec-2013 (Audited)	30-June-2014 (Un-Audited)	% of FY 2013	% as at Jun-2014
Marine	217	875	0.2%	0.8%
Medical	30,117	54,972	27.5%	48.6%
Motor	77,632	56,275	70.9%	49.7%
Fire	457	308	0.4%	0.3%
General Accident	539	268	0.5%	0.2%
Engineering	480	436	0.4%	0.4%
Energy	-	14	0.0%	0.0%
Total Net IBNR	**109,442**	**113,148**	**100.0%**	**100.0%**

Source: Management Reports

Unearned Premium Reserve (UPR) & Reinsurers Share of UPR

Figure 6-67: Unearned Premium and Reinsurance share of UPR by line of business

Unearned Premium and Reinsurance Share of UPR by Line of Business		
SAR in 000s	31-Dec-2013 (Audited)	30-Jun-2014 (Un-Audited)
Marine	7,312	4,935
Medical	54,565	77,598
Motor	176,959	187,338
Fire	11,604	34,338
General Accident	10,857	15,029
Engineering	114,153	175,663
Energy	-	37,139
Total UPR (excluding PDR)	**375,450**	**532,040**
Premium Deficiency Reserve (PDR)	13,727	13,727
Total UPR (including PDR)	**389,177**	**545,767**
Marine	4,434	1,916
Medical	-	-
Motor	1,476	503
Fire	10,144	30,907
General Accident	7,434	8,344
Engineering	100,413	159,577
Energy	-	36,500
Total RI share of UPR	**123,901**	**237,747**

Table:6.70– Unearned Premium and Reinsurance Share of UPR by Line of Business Statement

Source: Management Reports

The gross Unearned Premium Reserve (UPR) substantially increased from SAR 375.4 million in 2013, to SAR 532 million in the first half of 2014, due to the increase of UPR in engineering insurance activity, from SAR 114.1 million in 2013, to SAR 175.6 million in the first half of 2014, and to the increase of UPR in energy insurance activity, from zero in 2013, to SAR 37.1 million in the first half of 2014; which goes along with the growth of GWP for the same activities.

Reinsurance share of UPR increased from SAR 123.9 million in 2013, to SAR 237.7 million in the first half of 2014, due to the increase of UPR.

Related Party Transaction and Balances

Figure 6-68: Related party transactions and balances for the first half of 2014

Related Party & nature of transaction	31/12/2013 (audited)	30/6/2014 (unaudited)
Insurance Operations		
Saudi Bin Laden-Group		
Balance at beginning of year	156,864	235,025
Premium	387,375	112,831
Payments & claims	(309,214)	(210,031)
Balance as of year end	**235,025**	**137,825**
Rashed Al Rashed-Group		
Balance at beginning of year	10,898	9,562
Premium	36,391	9,846
Payments & claims	(37,727)	(9,598)
Balance as of year end	**9,562**	**9,810**
Claim and Risk Services (CARS)		
Balance at beginning of year	203	830
Claims handling fees	(7,135)	(2,876)
Payments	7,762	3,193
Balance as of year end	**830**	**1,147**
Claim and Risk Services (CARS)		
Balance at beginning of year	2	545
Claims handling fees	694	602
Payments made	(1,009)	(151)
Balance as of year end	**545**	**138**
Law Office of Hassan Mahasny		
Balance at beginning of year	**65**	71
Premium	**323**	367
Payments & claims	**(318)**	(152)
Balance as of year end	**286**	**71**
Shareholders' Operations		
Najm for insurance services		
Balance at beginning of year	230	270
Expenses	(500)	-
Balance as of year end	**270**	**270**
Board members		
BOD remunerations	1,016	612

Source: audited financial statements for 2013 and unaudited statements at the end of June 2014

As of the first half of 2014, the Company's related parties are among the Company's shareholders, Saudi Bin Laden Group and Rached Al Rached Group. Financial statements show their transactions with the Company as agents with different insurance coverage.

Main changes are obvious in the dealing with Saudi Bin Laden Group, where GWP decreased during the first half of 2014 to SAR 112.8 million compared to SAR 154.6 million for the first half of 2013.

GWP for engineering insurance activities also decreased in the first half of 2014, where most of related parties' transactions are infrastructure projects of which policies are issued under the engineering business line.

Balance of amounts under the item "claims and payments" increased to SAR 210 million in 2014, compared to SAR 169.8 million in the first half of 2013. As shown, received payments exceed payments made.

Related parties include board members who own shares in The United Cooperative Assurance Company and other companies.

As for related party under shareholders' operations, it is Najm for insurance services in the first half of 2013 and of 2014.

Statement of Changes in Shareholders' Equity

Figure 6-69 : Statement of changes in shareholders' equity for the first half of 2014

Statement of changes in shareholders' equity					
SR in 000s	**Share Capital**	**Retained Earnings**	**Statutory Reserve**	**Change in value of ASF investment**	**Total**
Balance as at 31 December 2012	200,000	87,777	31,944	230	319,951
Changes in fair value of ASF investments	-	-	-	(262)	(262)
Net income for the period	-	24,544	-	-	24,544
Bonus shares	80,000	(79,680)	-	-	320
Transaction Cost - Issuance of Bonus shares	-	(142)	-	-	(142)
Zakat and income tax for the year	-	(3,780)	-	-	(3,780)
Balance as at 30 June 2013 (Un Audited)	**280,000**	**28,719**	**31,944**	**(32)**	**340,631**
Balance as at 31 December 2013	280,000	(76,627)	31,944	846	236,163
Changes in fair value of ASF investments	-	-	-	1,377	1,377
Net loss for the period	-	(15,385)	-	-	(15,385)
Zakat and income tax for the year	-	(3,000)	-	-	(3,000)
Balance as at 30 June 2014 (Un Audited)	**280,000**	**(95,012)**	**31,944**	**2,223**	**219,155**

Source: Management Reports

Shareholders' equity decreased in the first half of 2014 to SAR 219.1 million compared to SAR 340.6 million in the first half of 2013, due to the net incurred loss in insurance operations in the first half of 2014 amounting to SAR 15.3 million, in addition to the net incurred loss in insurance operations amounting to SAR 76.6 million at the end of 2013.

Cash Flow Statement

Figure 6-70: Cash Flow Statement for the first half of 2013 and 2014

Cash Flow Statement (Policyholders and Shareholders)		
SR in 000s	**30/6/2013 (Un Audited)**	**30/6/2014 (Un Audited)**
Policyholders:		
Net Cash from operating activities	79,580	(43,723)
Net Cash from investing activities	27,481	(748)
Cash and bank balance at beginning of the period	34,132	86,018
Cash and bank balance at end of the year	**141,193**	**41,547**
Shareholders:		
Net Cash from operating activities	16,239	(26,724)
Net Cash from investing activities	62,294	(4,561)
Net Cash from financing activities	10,608	-
Cash and bank balance at beginning of the period	32,314	92,486
Cash and bank balance at end of the year	**121,455**	**61,201**

Source: unaudited financial statements

Net cash from operating activities achieved a negative product in the first half of 2014 amounting to SAR 43.7 million, compared to a positive cash flow of SAR 79.6 million in the first half of 2013; this is due to changes in the assets and claims of insurance operations in the first half of 2014 adversely affecting net cash of operating activities by SAR 47.8 million.

The increase of RI receivable by SAR 40.1 million and of RI share of UPR by SAR 113.8 million, led to a negative cash flow of SAR 153.8 million; in addition to the claims decrease in RI receivables and to the decrease of outstanding claims by SAR 34.1 million, resulting in a negative cash flow of SAR 71.53 million.

Gross cash changes from insurance activities in the first half of 2014 adversely affected the total cash position by SAR 44.4 million, due to the negative cash flow of operations and to the absence of investment activities in the first half of 2014.

Shareholders' operating activities recorded a negative cash flow amounting to SAR 26.7 million in the first half of 2013, compared to a positive cash flow of SAR 16.2 million in the first half of 2013, due to the net loss incurred in the first half of 2014 amounting to SAR 15.4 million.

Admissible Assets and Solvency

Figure 6-71: Admissible assets and solvency of policyholders and shareholders for the first half of 2014

Total Admissible Assets - Policyholders & Shareholders		
SAR in 000s	**31-Dec-2013 (Audited)**	**Jun-2014 (Un-Audited)**
Cash and cash equivalents	178,504	102,748
Investments	247,875	255,063
Insurance, reinsurance and other receivables due within 90 days	456,413	428,858
Reinsurance share of unearned premiums	123,901	237,747
Reinsurance share of outstanding claims	114,716	83,835
Accrued interest, rent income	342	3,898
Deferred acquisition costs	7,117	8,906
Prepaid expenses	31,778	32,985
Property and equipment	6,849	5,751
Total Admissible Assets	**1,167,495**	**1,159,791**

Source: SAMA Reporting Form

Figure 6-72: Calculation of Solvency Margin for 12 months ending June 2014

Calculation of Solvency Margin for 12 Months Ending June 2014					
SAR in 000s	**Gross Written Premium**	**Net Written Premium**	**Retention Rate Min NWP/) (GWP=50%**	**Class Risk factor**	**Required solvency**
Marine	22,976	12,035	50.0%	30.0%	3,871
Medical	171,042	164,197	95.9%	16.0%	26,272
Motor	548,969	547,522	99.2%	20.0%	109,504
Fire	59,992	4,570	50.0%	16.0%	4,799
General Accident	22,573	10,190	56.5%	30.0%	3,386
Engineering	196,721	22,133	50.0%	30.0%	29,508
Energy	158,334	2,725	50.0%	30.0%	23,750
Total	**1,180,607**	**763,372**			**201,090**

Source: SAMA Reporting Form

As per article 65 (1) of the Implementing Regulations issued by SAMA, the assets market value should not exceed the assessment rate, for the purpose of calculating the solvency margin. If the % of gross assets is below the admission factor, the whole asset will be admissible.

As per article 65 (2) of the Implementing Regulations issued by SAMA, the maximum %for each of the assets categories/gross assets is 20%.

Amendments are done manually by SAMA, to reflect deductions not compliant with the restrictions of assets concentration and exceeding the fixed assets ceiling.

Gross admissible assets decreased in the first half of 2014 to SAR 1.16 billion compared to SAR 1.17 billion at the end of December 2013. Cash and cash equivalents decreased from SAR 178.5 million by the end of 2013, to SAR 102.7 million in the first half of 2014, with an increase of investments from SAR 247.9 million at the end of 2013, to SAR 255 million in the first half of 2014.

The minimum required solvency in the first half of 2014 is SAR 201 million based on premiums solvency.

Solvency

Figure 6-73: Solvency analysis for the first half of 2014

Solvency Analysis	
SAR in 000s	30-June-2014 (Un-Audited)
Admissible Assets	
Policyholders' Operations	898,200
Shareholders' Operations	261,591
Total admissible assets	**1,159,791**
Liabilities	
Policyholders' Operations	1,034,974
Shareholders' Operations	122,423
Total liabilities	**1,157,397**
Total Admissible Assets	
Policyholders' Operations	(136,774)
Shareholders' Operations	139,168
Total Net Admissible Assets	2,394
Required Minimum Solvency Margin	**201,090**
Excess (deficiency) of net admissible assets over required minimum solvency margin	**(198,696)**
Solvency Margin Cover	**1.2%**

Source: SAMA Reporting Form

The solvency margin (Net admissible assets over required minimum solvency margin divided by required minimum solvency) amounted to 1.2% as on 30 June 2014, below the required minimum. The Company is currently undertaking necessary actions to handle this situation as specified in article 68 of the Implementing Regulations issued by SAMA (the increase of share capital, the adjustment of premiums and the reduction of costs).

The expected increase of the Company's share capital may strengthen its solvency margin and cover its accumulated losses.

6-7 Major results submitted by the Financial Due Diligence Advisor

- Adjustment of receivables through decreasing the balance by SAR 2.753 in 2011 due to the recovery of premium receivables for previous periods in year 2011.

- Adjustment of premium receivables through increasing the balance by SAR 1.969 in 2013, due to existing differences in calculation of provision of doubtful debts between the Company and the offer financial advisor.

- Adjustment of premium receivables through the increase of the balance by SAR 1.969 in 2013, due to differences in the calculation of bad debt reversal between the management and the Offering financial advisor.

- Adjustment of reinsurance receivables through the decrease of 2013 balance by SAR 674.000 and the increase of the balances for the years 2012 and 2011 by SAR 588.000 and 414.000 respectively, due to differences in the calculation of bad debt reversal between the management and the Offering financial advisor.

- Adjustment of the deferred acquisition costs through the decrease of the 2013 balance by SAR 528.000 and the increase of the balances for the years 2011 and 2012 by SAR 877.000 and 563.000 respectively, due to differences in the statements of deferred acquisition costs and the Company's financial statements, and due to differences in the calculation of deferred acquisition costs between the management and the Offering financial advisor.

- Adjustment of furniture and equipment depreciation as required by SAMA through the decrease of depreciation (and the increase of balances of office equipment and furniture) by SAR 915.000, 993.000 and 476.000 for the years 2013, 2012 and 2011 respectively.

- Adjustment of the UPR through the decrease of the balance by SAR 10.732 and the increase of the balances for the years 2012 and 2011 by SAR 6.113 and 6.839 respectively, due to difference between the actual date and the issue date in years 2011, 2012 and 2013.

- Adjustment of the premium deficiency reserve through the decrease of the 2013 balance by SAR 6.942 and the increase of the 2012 balance by SAR 6.744 and the decrease of 2011 balance by SAR 68.000, due to differences between the actuary's report and the management's statements.

- Adjustment of catastrophe reserve through the decrease of 2013 balance by SAR 500.000 and the increase of 2012 and 2011 balances by SAR 250.000 for each year, due to differences between the actuary's report and the management's statements.

- Adjustment of unearned commission income through their decrease for 2013 and 2012 by SAR 5.741 and 1.633 respectively; in addition to the increase of unearned commission income for 2011 by SAR 5.743, due to differences in the calculation of unearned commission income between the management and the Offering financial advisor.

- Adjustment of GWP through the decrease of 2013 balance by SAR 4.658 and the increase of balances for 2012 and 2011 by SAR 13. 022 and 205.000 respectively, due to differences between the actual date and the date of issue.

- Adjustment of reinsurance ceded premiums for 2013 through their decrease by SAR 2.544 and the increase of reinsurance ceded premiums for 2012 by SAR 16.681 and their decrease for 2011 by SAR 5.724, due to differences between the actual date and the date of issue.

7- Capitalization

7-1 Share capital

The Company's share capital is two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) shares with a nominal value of SAR 10 per share and all shares are fully paid. The founding shareholders have subscribed to 60% (12.000.000) of the total shares and the remaining 40% (80.000.000) was subscribed for by the public through an IPO that took place on 30/02/1429H corresponding to 08/03/2008. No preferential rights have been granted to the founding or other shareholders.

7-2 Share capital increase

On 17/08/1434 H corresponding to 26/06/2013, the Company's EGM announced the increase of share capital by SAR 80.000.000 through the issuance of shares with a nominal value of SAR 10 for each share; the amount of the issued shares was transferred from the reserve and added to the share capital upon approval of the relevant parties, in particular SAMA. Accordingly, the Company's share capital became SAR 280.000.000 consisting of 28.000.000 shares.

In this respect, the Company may by EMG resolution, and upon approval of competent authorities, among which SAMA and CMA, decide the increase of the share capital for once or more, provided the initial share capital is fully paid up. The decision states the method of share capital increase.

7-3 Share capital decrease

As per EGM decision and based on acceptable reasons, and upon the approval of SAMA, CMA and the Minister of Commerce and Industry, the share capital may be decreased if it exceeds the Company's need or if the latter suffers losses; provided that such resolution is issued following the auditors' report on the reasons of the decrease and on the Company's obligations and the impact of the decrease on such obligations, has been prepared and read in compliance with the Companies Law.

The decision should state the method of share capital decrease; if such decrease is due to the share capital exceeding the company's need, the company's creditors will be invited to express any objection within 60 days from the date of publication of the decision in a daily newspaper distributed in the city where the Company's head office is located. If any of the creditors objects and submits to the Company his documents on the fixed date, the Company should pay him his credit if due or submit a guarantee if due on later date.

Figure 7-1: capitalization and indebtedness for financial years 2011, 2012 and 2013

SAR 000s	FY 2011	FY 2012	FY 2013
POLICYHOLDERS' LIABILITIES			
Reinsurers payables	106,097	56,672	190,992
Unearned commission income	15,081	16,665	25,437
Unearned premium	402,856	336,380	375,450
Unexpired risk reserve	1,281	1,421	13,727
Catastrophe reserve	-	-	500
Outstanding claims	258,198	188,689	296,662
Payables to policy holder	9,887	21,028	29,425
Accrued and other payables	52,701	27,399	22,439
Due to shareholders' operation	47,708	22,847	-
Employees' terminal benefits	4,995	7,313	9,085
Total Insurance Operations' Liabilities	**898,804**	**678,414**	**963,717**
Insurance Operations' Surplus			
Surplus from insurance operations	18,720	21,258	21,258
Available for sale investments reserve	460	17	(241)

Total Insurance Operations' Liabilities and Surplus	**917,984**	**699,689**	**984,734**
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables	5,540	728	1,059
Due to financial institution	-	-	18,750
Due to related party	-	-	270
Due to insurance operations	-	-	86,610
Accrued Zakat and income tax	17,088	21,819	21,929
Amount due to a related party in respect of goodwill	24,962	-	-
Total shareholders' liabilities	**47,590**	**22,547**	**128,618**
Shareholders' Equity			
Share Capital	200,000	200,000	280,000
Statutory reserve	27,429	31,944	31,944
Retained earnings	89,716	87,777	(76,627)
Available for sale investments reserve	405	230	846
Total Shareholders' Equity	**317,550**	**319,951**	**236,163**
Total Shareholders' Liabilities and Equity	**365,140**	**342,498**	**364,781**
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY	**1,283,124**	**1,042,187**	**1,349,515**

Source: audited financial statements

Figure 7-2: Capitalization and indebtedness for the first half of 2014

	30/5/2014 SR'000
INSURANCE LIABILITIES AND SURPLUS	
Insurance operations' liabilities	
Reinsurers payables	153,590
Unearned premiums	532,040
Unearned commissions income	29,257
Outstanding claims	262,517
PDR	13,727
Catastrophe reserve	500
Payables to policy holders	12,893
Accrued and other payables	20,664
Shareholders' accruals Employees' terminal benefits	9.797
Accumulated surplus from insurance operations	21.258
Available-for-sale-investments reserve	**(11)**
Total insurance operations' liabilities and surplus	**1,056,232**
SHAREHOLDERS' LIABILITIES AND EQUITY	
Shareholders' liabilities	
Accruals and other payables	1,127
Due to financial institution	18,750
Due to a related party	270
Due to insurance operations	91,635
Accrued zakat and income tax	**10,641**
Total shareholders' liabilities	**122,423**
Shareholders' equity	

Share capital		280,000
Statutory reserve		31,944
Accumulated losses		(95,012)
Available-for-sale-investments reserve	4	2,223
Total shareholders' equity		**219,155**
Total shareholders' liabilities and equity		**341,578**
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		**1,397,810**

Source: unaudited financial statements

According to the Company's board of directors, the Company has no debt instruments issued, existing or declared, or any term loans whether personal or on collateral, as to this Prospectus date.

Board members confirm the following:

- Except what was stated in section 6 of this Prospectus, the Company has no other loans or indebtedness, including overdrafts or lease purchase obligations subject or not to personal guarantee, up to this Prospectus date.
- The Company has no mortgage or charges on its property up to this Prospectus date.
- The Company has no potential obligations, indebtedness or guarantees up to this Prospectus date.
- The Company's share capital is not subject to any option up to this Prospectus date.

7-4 Dividend Policy

The Company's dividend policy is in compliance with the rules and regulations of the Cooperative Insurance Companies Control Law and the provisions of the Company's by-laws as approved by the General Assembly.

Article 44 of the Company's by-laws describes the Company's dividend policy as below:

- 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the entire paid-up capital.

- The Ordinary General Assembly may, upon request of the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly.

- The balance shall be distributed to the Shareholders as an initial payment which shall represent not less than 5% of the paid-up capital.

- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account

By resolution of the Board of Directors, periodic profits to be deducted from the annual profits referred to herein above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

Dividends

Figure 7-3: The Company's dividends

Year	Net profit/loss SAR 000	Dividends SAR 000	Dividends per share SAR	% Dividends/net profit
2011	50,666	20,000*	1	35.3%
2012	30,316	20,000**	1	39.5%
2013	78,256	NA	NA	-

*dividends (amounting to SAR 56.6 million) of 2010 were paid to shareholders in 2011.
**dividends of 2011 were paid to shareholders in 2012.

The Company has not paid any dividends for the years 2012 and 2013.

New offered shares will have their part of dividends (if any) declared by the Company for the following fiscal years, as of their issue date; noting that the payment of above mentioned dividends is subject to SAMA's approval and to the solvency margin.

7-5 Shares Trading

The Company's shares are tradable in accordance with the rules and regulations issued by CMA. As exception to this, the shares subscribed for by the founding shareholders will not be tradable prior to the issuance of the financial statements of two fiscal years (of not less than 12 calendar months each) from the date of the Company's formation. This will also be applicable to any shares subscribed for by the shareholders for increasing the capital before the end of the lock-up period. However, these shares may be transferred to any other founding shareholder or the Company's director in order to be granted as qualification shares or transfer from the owner heirs to others in case of death.

The Company's by-laws are silent about any recovery or repurchase rights regarding the Company's shares. Accordingly it should be referred to the Companies Law and in particular to the article (104) which allows the Company to purchase its own shares, at less or equal price to their nominal value, if such shares are gradually depreciated or based on temporary rights, along with article 105 which allows the Company to purchase its own shares for the purpose of shares depreciation or share capital decrease.

7-6 Voting rights

Each Shareholder holding 20 shares or more will have the right to attend and vote at the General Assembly. A Shareholder may delegate in writing another shareholder, other than members of the Board of Directors or officials of the Company, to attend the General Assembly on his/her behalf. Resolutions of the Constituent General Assembly and Ordinary General Assembly shall be made only by an absolute majority vote of the shares represented therein.

Resolutions of an EGM shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or the reduction of the capital, the extension of the duration of the Company before its term or the merger into another Company or establishment. In such cases, the resolution shall not be considered as valid unless issued by the majority vote of three quarters (3/4) of the shares represented at the meeting.

Each shareholder has the right to discuss items on the general assembly agenda and to ask the board members and auditor about them. As for board members and auditor they observe the Company's interest in answering such questions. Eventually the shareholder may have recourse to the general assembly if the answers are not convincing, the assembly's decision in this respect being effective.

7-7 General Assembly Meetings

General Assembly Meetings of Shareholders 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 an EGM, 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.

An EGM shall have the power to amend the Company's Articles of Association, except for such provisions as may be impermissible to be amended under the Regulations. An EGM may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter. The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least 50% of the Company's Capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within

the following thirty (30) days of the previous meeting. Such notice for the meeting shall be published in the same manner described above. The second meeting shall be deemed valid irrespective of the number of shares represented.

As for an EGM, it shall not be deemed valid unless attended by Shareholders representing at least fifty per cent (50%) of the Company's Capital. If such quorum is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as valid if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

The EGM is presided by the chairman or any delegated person in case of the chairman's absence.

The chairman designates a secretary responsible for the assembly minutes including names of present shareholders or any of their representatives, as well as the number of shares they hold the number of votes, decisions made, number of approving or disapproving votes and a comprehensive summary of discussions held during the meeting. Minutes are kept, following each meeting, in a special record signed by the assembly president, secretary and teller.

8- Use of Proceeds

The Company's net proceeds from the Offering shall be used to finance its future operations and investments, the Company being responsible for all the expenses of the Offering.

The Company shall submit a quarterly report specifying the use of proceeds related to the rights' issue and shall keep the public updated as to the use of proceeds.

Net Proceeds

The total gross proceeds from the Offering are estimated at SAR 210 million, out of which SAR 5.300.000 is expected to be the expenses relating to the Offering, including fees of each of the financial advisor, legal advisor and reporting accountants, in addition to the Receiving Banks, Lead Manager, Underwriter, the marketing expenses, printing and distribution expenses and other Offering related expenses.

Use of Net Proceeds

Insurance companies practice their business in the Kingdom of Saudi Arabia in accordance with the Law on Supervision of Cooperative Insurance Companies and its Implementing Regulations as amended by SAMA from time to time.

The above Law and regulations stipulate that an insurance Company shall maintain a Minimum Solvency Margin that is no less than the following three amounts:

—. Minimum Capital Requirement

—. Premium Solvency Margin

—. Claims Solvency Margin

An insurance Company needs to maintain Net Admissible Assets at a minimum of the above mentioned solvency margin. Accordingly the Company shall use proceeds from the Offering to maintain the required solvency margin and minimum share capital as per the requirements of Cooperative insurance companies control Law, and to increase its capacity of entering substantial insurance agreements.

Company Solvency Margin

Figure 8-1: Solvency Margin for 2013

SAR in 000s	31/12/2013 (Audited)
Admissible Assets	
Policyholders' Operations	881,992
Shareholders' Operations	285,503
Total admissible assets	**1,167,495**
Liabilities	
Policyholders' Operations	963,476
Shareholders' Operations	128,618
Total liabilities	**1,092,094**
Total Admissible Assets	
Policyholders' Operations	(81,484)
Shareholders' Operations	156,885
Total Net Admissible Assets	**75,401**
Required Minimum Solvency Margin	**223,359**
Excess (deficiency) of net admissible assets over required minimum solvency margin	**(147,958)**
Solvency Margin Cover	**33.8%**

Figure 8-2: Solvency margin up to June 2014

Solvency Analysis	
SAR in 000s	**30/6/2014 (Un-Audited)**
Admissible Assets	
Policyholders' Operations	898,200
Shareholders' Operations	261,591
Total admissible assets	**1,159,791**
Liabilities	
Policyholders' Operations	1,034,974
Shareholders' Operations	122,423
Total liabilities	**1,157,397**
Total Admissible Assets	
Policyholders' Operations	(136,774)
Shareholders' Operations	139,168
Total Net Admissible Assets	**2,394**
Required Minimum Solvency Margin	**201,090**
Excess (deficiency) of net admissible assets over required minimum solvency margin	**(198,696)**
Solvency Margin Cover	**1.2%**

Hence, the Company currently needs to inject additional share capital in order to maintain its minimum Solvency Mar-

gin Cover of 100% as per SAMA's implementing regulations.

Suggested use of proceeds amounting to SAR 203.6 million includes net admissible assets, solvency margin cover and expansion of the Company's activity.

The table below shows the expected contribution of the net proceeds in maintaining the Solvency Margin Cover over the next few years:

Figure 8-3: Contribution of the Net Proceeds in maintaining Solvency Margin

As at 31 December	2014	2015	2016	2017	2018
Minimum Capital Requirement	200	200	200	200	200
Premium Solvency Margin	188.94	200.65	223.74	247.12	272.34
Minimum Solvency Margin	200	200.65	223.74	247.12	272.34

-

Before Offering

Net Admissible Assets	44.19	53.15	63.21	80.56	104
Solvency Margin Cover (%)	22%	26%	28%	33%	38%

After Offering

Net Proceeds of Offering	204.7				
Net Admissible Assets	238.71	243.50	248.66	261.24	281.15
Solvency Margin Cover (%)	119%	121%	111%	106%	103%

In compliance with Paragraph C of Article 30 of the Listing Rules (the "**Listing Rules**") the Company will submit quarterly report about usage of the proceeds of the Offering and the usage developments will be declared to public.

Proposed Investment Plan

In compliance with the Cooperative Insurance Companies Control Law, the Company's statutory deposit should be equal to 10% of the paid up capital and the Company will retain SAR 49 million as a statutory deposit after increase of the paid up capital.

The Company intends to use the net proceeds (after deducting the statutory deposit and Offering expenses) for investments as allowed by the regulations. The investment amount is estimated to be SR188 Million and the investment portfolio will include cash and short-term investments (90%).

Statutory deposit	21
Offering expenses	5.3
*Investments	183.7
Total Offering Proceeds	210

*Please refer to the proposed investment plan

Figure 8-4: Investment Structure

Investment in short-term Portfolios (90%)	165.33
Investment in Securities and Long-term Investment (10%)	18.37
Total Investments	183.7

9- Declarations of the Board of Directors, Senior Management Executives & the CFO

9 - 1 Declarations Related to Financial Information

The Directors declare that the financial information presented in the Prospectus is extracted without material change from the Audited Financial Statements and that the Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards. Directors, senior executives and board's secretary declare that none of them has been for the past 5 years, a board member or executive or supervisor in a Company subject to insolvency.

Further, the Company declares that it has working capital sufficient for the next twelve months following the date of this Prospectus.

Except the loss incurred by the Company in 2013,the Directors declare that there has been no material adverse change in the Company's financial or business position within the three years immediately preceding the application for registration and admission to listing, in addition to the period covered by the certified accountant's report and to the date of this Prospectus.

The Directors, the CEO, the CFO, the Management and the Secretary of the Board declare that:

- They have not at any time been declared bankrupt or been subject to bankruptcy or insolvency proceedings;
- They do not themselves, nor do any relatives or affiliates, have any direct or indirect interest in the Company's shares or debt instruments;
- They do not themselves, nor do any relatives or affiliates, have any interest or shares in the Company;
- There was no material negative change in the Company's financial or commercial status during the last three years preceding the date of listing application;
- The Company does not grant any cash loan or collaterals to loan for any of its directors in compliance with Article 71 of the Companies Law;
- The financial information presented in this Prospectus is extracted from the Audited Financial Statements without any material change and these Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS);
- There is no intention to make any fundamental change in the nature of the activity of the Company;
- No commissions, discounts, brokerages or other non-cash compensation were granted by the Company in the last three years immediately preceding the date of submitting the listing application and the period covered by the Auditor's report up to the date of approval 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 during the twelve months preceding the date of this Prospectus;
- The Board has reviewed the expected cash flow requirements and believes that the Company will have sufficient working capital for at least twelve months from the date of this Prospectus;
- There is no any debt instrument or term loan up to the date of this Prospectus and neither the Company's nor its affiliates' assets are under option; and

- As of the date of this Prospectus, the Company has no commercial activity or assets outside Saudi Arabia._

- The Company strictly complies with Article 69 & Article 70 of the Companies Law and Article 18 of Corporate Governance Regulations.

As of the date of this Prospectus, the Company has no any affiliate or a sister Company inside or outside Saudi Arabia.

10- Legal Information

10-1 Incorporation Information

The United Assurance Company is a Saudi joint stock Company, registered in KSA under the registration number 4030179955 and in accordance with the decision of the Council of Ministers number 94 dated 14/03/1428H corresponding to 1/04/2007G and the Royal Decree number 24 dated 15/03/1428H corresponding to 2/04/2007G which licensed the establishment of the Company in accordance with the Cooperative Insurance Companies Control Law (issued by Royal Decree number 32 dated 2/06/1424H).

The Company's share capital amounts to SAR 280.000.000 divided into 28.000.000 shares of an equal value, each share of SAR 10.

The Company has 6 branches in addition to its Head Office in Jeddah. Below are the Company's branches in KSA:

Branch	Address	Commercial registration	Date of registration	Expiry date	Branch manager
Riyadh	Olaya, Mohammed Ben Abdel Aziz Street	1010269076	06/1430H corresponding to 03/06/2009	10/06/1440H corresponding to 16/02/2019	Mohammed Saleh Al Hathal
khobar	King Abdel Aziz Road	2051041687	27/01/1431H corresponding to 12/01/2010	26/01/1436H corresponding to 18/11/2014	Fahed Mohammed Baoudah
Mecca	District Rusaifa- Abdullah Arif Street	4031061185	25/02/1432 corresponding o 10/01/2011	05/02/1440 H corresponding to 15/10/2018	Fahed Mohammed Al Aadal
Khamis Mushait	Al–Deyafah Street In front of AL-Doha Hotel	5855039130	07/11/1432H corresponding to 04/10/2011	07/11/1439H corresponding to 19/07/2018	Talal Oubaydallah Al Jabiri
Tabuk	Al-Waha Center 2nd Floor AL-Imam Turki Ben Abdullah Street	3550027121	07/11/1432H corresponding to 04/10/2011	07/11/1439H corresponding to 19/07/2018	Salem Maslam Al Atoue
Buraydah	1st Floor AL-Awedah Building King Abdul Aziz Street AL-Khobib Street	1131037309	07/11/1432 H corresponding to 04/10/2011	07/11/1439H corresponding to 19/07/2018	Bader Musaad Al Harbi

10-2 Key Licenses and Permits

The Company was established as a joint stock company in accordance with the decision of the Council of Ministers number 94 dated 14/3/1428H (corresponding to 1/4/2007G) and the Royal Decree number 24/M dated 15/3/1428H (corresponding to 2/4/2007G).

Given that some of the Company's founding shareholders were non-Saudis/non-GC nationals, the Company was granted a foreign investment license from SAGIA, as a mixed Saudi/foreign Company under number 01-11203001661 dated 25/01/1434H corresponding to 09/12/2012G. The license is yearly renewable and is valid until 25/01/1436H corresponding to 18/11/2014.

The Company was also granted a license from SAMA under number TMN 19/200812 dated 02/01/1430H corresponding to 29/12/2008, for practicing insurance and reinsurance activities and notably within the General Insurance and Health Insurance classes.

The Company has additionally received a final qualification license from the Council of Cooperative Health Insurance Services for practicing health insurance business pursuant to the uniform insurance policy dated 22/02/1430H corresponding to 17/02/2009.

The Company is also registered with the Department of Zakat and Income Tax ("DZIT") under the number 30000590649 and has submitted its previous annual declarations up to 31/12/2013. Accordingly, the Company was granted a preliminary certificate (not valid for final payments), issued by the Senior Taxpayers Department under the number 8463 dated 11/08/1435H, corresponding to 09/06/2014, by which the DZIT confirmed that the Company has submitted its declarations for the period ended on 31/12/2013. The Company was granted such certificate to enable it to execute all transactions except for collecting final dues resulting from government contracts. This certificate is valid until 11/07/1436 corresponding to 30/04/2015.

The Company is also registered with the General Organization for Social Insurance ("GOSI") under number 502628828 and it was granted a certificate on 29/06/1435H corresponding to 29/04/2014 confirming its payment of all its contributions to GOSI up to 29/12/1435H corresponding to 24/10/2014.

The Company's registration number at the Chamber of Commerce in Jeddah is 122220 and is valid until 30/12/1435H corresponding to 25/10/2014.

Below a summary of the Company's key licenses and permits

License	Issuing Authority	Number	Issue date	Validity date
Foreign investment license	SAGIA	01-11203001661	25/01/1434H 09/12/2012	25/01/1436H 18/11/2014
License for practicing insurance business	SAMA	T M N 19/200812	02/01/1430H 29/12/2008	No specified validity
DZIT Certificate	DZIT	3000590649	11/08/1435H 09/06/2014	11/07/1436H 30/04/2015
GOSI Certificate	GOSI	502628828	29/06/1435H 29/4/2014	29/12/1435H 24/10/2014
Chamber of Commerce Membership Certificate	Chamber of Commerce of Jeddah	122220	03/01/1435H 6/11/2013	30/12/1435H 25/10/2014

10-3 Major shareholders who own 5% and above as at 30 June 2014

Name	%	Number of shares	Amount in SAR
UCA Bahrain	32%	9.100.000	91.000.000

10-4 Board of Directors

As per the Company's by-laws, the Company is managed by a board of directors comprising 7 members appointed by the General Assembly for a period not exceeding 3 years.

Current board directors are:

Figure 10-1: Board members

	Name	Nationality	Date of birth	Position	Share holding	Status	Date of designation	Representation
1	Hassan Mohammed Shawkat Mahasni	Saudi	10/10/1934	Chairman	280,000	Non-executive	01/07/1435H 30/04/2014G	
2	Salman Salem Mohamed Bin Laden	Saudi	19/09/1977	Vice chairman	141,540	Independent	01/07/1435H 30/04/2014	
3	Badr Abdurrahman Al Sayari	Saudi	26/10/1965	Director	1,000	Independent	01/07/1435H 30/04/2014	
4	Khaled Hossain Ali Reza	Saudi	08/04/1968	Director	34,000	Independent	01/07/1435H 30/04/2014	
5	Sami Sadaka Sendi	Saudi	06/03/1954	Director	2,100	Independent	01/07/1435H 30/04/2014	
6	Tarik Hashim Al Nabulsi	Saudi	09/12/1961	Director	1,000	Independent	01/07/1435H 30/04/2014	
7	Machaal Afif Karam	Lebanese	01/07/1955	Executive director	-	Executive	01/07/1435H 30/04/2014	Represents UCA Bahrain
	Total number of shares				**459,640**			

Mr. Khaled Hossain Ali Reza and Mr. Tarik Hashim Nabulsi were appointed as new directors of the board following the shareholders general assembly meeting held on 01/07/1435H, corresponding to 30/04/2014G. A new commercial register for the Company has been extracted, including the names of the new directors, noting that the Company has obtained from SAMA all necessary approvals for appointing the new directors.

10-5 Summary of Material Contracts

In the course of its operations, the Company has concluded a number of contracts with related parties and others, as follows:

A- Agreements with related parties

- **Agreement for provision of legal services,** dated 24/04/2013 with Hassan Mahassni Law Office, and based on which the latter undertakes to provide the Company with the necessary legal services for one year as of 16/04/2013. The agreement was renewed on 15/04/2014 for an additional year based on the decision of the shareholders general assembly meeting dated 30/4/2014, for the amount of SAR 400.000.

- **Agreement for provision of administrative services,** concluded on 01/01/2014 with CARS, and based on which the latter undertakes to provide the Company with the necessary administrative services in favor of the insured who benefit from the individual or collective health insurance plan, for the period between 01/01/2014 and 31/12/2014. The agreement was renewed based on the decision of the shareholders general assembly dated 30/04/2014, and for a fee that varies depending on a fee schedule included in the agreement.

It is worth noting that Mr. Hassan Mahassni and Mr. Salman Salem Bin Laden own not less than 5.000 shares in the Company's capital, and have allocated guarantee shares in December 2014, against the agreements that they concluded with the Company and which were approved by the General Assembly.

B- Agreements with other parties:

- **Deloitte & Touche Bakr Abulkhair & Co. and Al-Bassam Certified Accountants & Advisors** were appointed as the Company's certified accountants for the fiscal year 2014.

- **Offer for provision of internet service** (4G WIMAX) dated 11/11/2013, submitted by Etihad Atheeb Telecommunications Company, signed and authenticated by the Company, for the provision of internet services to the Company for one year. The agreement is automatically renewable at its initial or renewed expiry date, unless the Company informs Etihad Atheeb Telecommunications of its intention not to renew the contract 90 days prior to its effective date.

- **Maintenance agreement** number STRJ-MCA 19/2013 entered with Saudi Electronic Trading Company (SETRA) dated 11/12/2013, based on which SETRA commits to provide maintenance service to the Company for a period of one year, as of 01/01/2014 and till 31/12/2014. The agreement is automatically renewable for one year only, unless any of the parties express its will to terminate it one month prior to the end of its effective date.

- **Technical assistance and support agreement** with ALTN Company for the provision of assistance services related to telephone and email system. The agreement specifies the standards and conditions for the provision of technical assistance services in general, and is function of key assistance agreements entered with agents.

- **Agreement for the provision of ISP/NSP** dated 30/03/2014 with NourNet for the provision of ISP/NSP. The initial duration of the agreement is two years as of the signature date and is automatically renewable at the expiry of its initial duration for one additional year, unless any of the parties inform the other, in writing of their will not to renew the agreement 90 days prior to the agreement expiry date.

- **Undertaking letter** for the provision of audit services dated 05/05/2014 by KBMG Al Fawzan and Al Sadhan, for the provision of internal audit service for 3 years.

- **Agreement for the provision of services,** dated 01/01/2012, with G-Tech subsidiary of Optimza, based on which the Company was granted the right to use the Aman Insurance management system for 5 years. Further, G-Tech undertakes to provide on-line and on-sight maintenance and support services to the Company.

- **Offer for the provision of services** dated 20/04/2014 with ORACLE for the provision of IT services

related to the updating of assistance programs as of 27/04/2014 till 26/04/2014.

- **Agreement for insurance brokerage** with the following 15 insurance brokerage companies:

- Solutions Insurance &Reinsurance Broker
- Saudi Arabia Marsh Brokerage Company in the insurance and reinsurance
- Elite Insurance and Reinsurance Broker
- NASCO Karaouglan Arabia Insurance Brokers
- UIB for Insurance and Reinsurance
- Gulf goals Insurance Brokers
- Independent Insurance Brokers
- Esnad Insurance and Reinsurance Broker
- Alpha Lloyds Insurance and Reinsurance Broker
- Grove Middle East Insurance Brokers
- Nouran Insurance Broker
- Prime Risk Insurance and Reinsurance broker
- Cunningham Lindsey Company

The same form of reinsurance brokerage agreement was adopted with all above mentioned companies. Based on this form, the Company is responsible for specifying the clauses of insurance agreements for insured persons and the broker may not amend such clauses without the Company's consent.

The broker may not conclude any contracts or agreements on behalf of the Company. He is responsible for collecting the insured premiums.

As per the contract, the broker earns a commission for all operations he carries out pursuant to the contract, throughout its initial duration and any subsequent renewed duration; as long as the broker executes all operations he is charged with as per percentages specified in the contract.

The broker's commission is due upon the Company receiving insurance premiums due to its account. Commission represents due remuneration to the broker for the operations he executes under this contract. The broker is responsible for all incurred expenses in the execution of this contract.

Reinsurance Agreements

The Company has entered into reinsurance agreements with various third parties to reinsure its businesses. The terms and conditions of these agreements vary depending on the products covered by each agreement. Following is a summary for the reinsurance agreements entered into by the Company.

Reinsurance agreement	**1**
Title of the agreement	Reinsurance agreement for group protection
Parties	UCA and SC Global Life Deutschland, SCOR Global Life SA branch
Agreement type	Reinsurance agreement for group protection
Geographical Coverage	KSA and other countries as agreed
Date of agreement	01/01/2014
Termination of agreement	Unlimited. The Agreement can be terminated based on a 3-month notice prior to commencement of the new calendar year. All applicable cessions remain effective for the terms and conditions of this agreement up to the date of renewal of the Company's policy.
Agreement description	Refers to the group protection policy.

Reinsurance agreement	2
Title of the agreement	Reinsurance for engineering
Parties	UCA and Lebanese UIC (United Insurance Company)
Agreement type	additional agreement
Geographical Coverage	KSA, GCC countries, Lebanon, Syria and all their off-shore operations, except risks in Canada and USA.
Date of agreement	01/01/2014
Termination of agreement	Unlimited. The Agreement can be terminated based on a 90 day notice prior to commencement of the new calendar year and 14 days in the event of SRCC risks.
Agreement description	Contractors and facilities risks, in addition to third party liabilities Devices breakdown- Contractors' equipment and plants-provision of electronic equipment-third party liability- profit loss due to the devices breakdown

Reinsurance agreement	3
Title of the agreement	Marine Cargo Agreement
Parties	UCA (KSA), Lebanese UIC (United Insurance Company) and Hannover Retakaful BSC
Agreement type	Additional agreement
Geographical Coverage	KSA, GCC countries, Lebanon, Syria and Jordan.
Date of agreement	01/01/2014
Termination of agreement	Unlimited. The Agreement can be terminated based on a 90 day notice prior to commencement of the new calendar year. The part related to war/civil war risks may be annulled by any of the parties by 7 day- notice
Agreement description	Risks of marine cargo in the ocean and/or of air cargo and/or of internal transport, including losses due to wars and/or civil wars.

Reinsurance agreement	4
Title of the agreement	Marine Hull Agreement
Parties	UCA (KSA), Lebanese UIC (United Insurance Company) and Hannover Retakaful BSC
Agreement type	Additional agreement and allocations
Geographical Coverage	KSA, GCC countries, Lebanon, Syria and Jordan.
Date of agreement	01/01/2014
Termination of agreement	Unlimited. The Agreement can be terminated based on a 90 day notice prior to commencement of the new calendar year. The part related to war/civil war risks may be annulled by any of the parties by 7 day- notice.
Agreement description	Marine risks related to ship hull in addition to ship owners interests including war losses and /or civil wars.

Reinsurance agreement	5
Title of the agreement	Excess of loss agreement for engines,
Parties	UCA (KSA), Lebanese UIC (United Insurance Company) and Hannover Retakaful BSC
Agreement type	Excess of loss reinsurance agreement- 1st and 2nd class
Geographical Coverage	KSA, GCC countries, Lebanon, Syria, Canada and USA, except GT 397 (2000) clause.
Date of agreement	01/01/2014
Termination of agreement	In the event of loss, within 12 months of 01/01/2014.
Agreement description	Engine Liabilities for third party- Insurance of engines driving license- Third party general liability- (including general liability and products), except any imports to Europe, USA and Canada- Labor remuneration (WC)- Employer liability (EL)- personal accidents (PA).

Reinsurance agreement	6
Title of the agreement	Agreement for general accidents and all risks related to property and fire
Parties	UCA (KSA), Lebanese UIC (United Insurance Company) and Hannover Retakaful BSC
Agreement type	Additional agreement
Geographical Coverage	KSA, GCC countries, Lebanon, Syria, in addition to their offshore operations, except risks in Canada and USA.
Date of agreement	01/01/2014
Termination of agreement	Unlimited. The Agreement can be terminated based on a 90 day notice prior to commencement of the new calendar year and 14 days in the event of SRCC risks
Agreement description	Part 1: Fire and allied risks including dependency risks. Part 2: General risks including personal risks, death and disability (total or partial), daily allowances, treatment expenses, burglary, and transferred amount/deposits.

Reinsurance agreement	7
Title of the agreement	Agreement for excess health loss
Parties	UCA and SC Global Life Deutschland, SCOR Global Life SA branch
Agreement type	Agreement for excess health loss based on resulting loss.
Geographical Coverage	KSA, and if outside the kingdom, payment is done through Saudi networks, except for GCC countries, where are applied the amounts of local complaints, and optional treatment outside KSA is exempted from the agreement. The coverage may include members of executive committee and their families.
Date of agreement	01/01/2014
Termination of agreement	In the case of any claim submittal within 12 months of 01/01/2014, and of any related report to the ceded Company within 6 months of the claim.
Agreement description	Compensation for the ceded Company as to health expenses.

Reinsurance agreement	8
Reinsurer	Swiss Re
Reinsured	UCA
Coverage nature	Engineering risks
Coverage amount	All contractors 'risks and facilities risks: SAR 75.000.000 Equipment breakdown: SAR 22.500.000 Contractors' equipment and devices: SAR 9.000.000 Electronic devices: SAR 900.000
Geographical coverage	Risks in KSA and offshore operations
Insurance duration	From 1/12014 to 31/12/2014
Insurance entry in force	1/1/2014
Insurance expiry	31/12/2014

Reinsurance agreement	9
Reinsurer	Swiss Re
Reinsured	UCA
Subscription	SAR 175.000 for 70% of the cession agreement
Coverage nature	Portion insurance agreement for medical malpractices
Coverage amount	SAR 1.000.000 for each event and group of participants, being a personal liability
Geographical coverage	KSA
Insurance duration	From 1/1/2014 to 31/12/2014
Insurance entry in force	1/1/2014
Insurance expiry	31/12/2014

Reinsurance agreement	10
Reinsurer	Atradius for reinsurance
Reinsured	UCA
Subscription	
Coverage nature	commercial insurance risks inside or outside KSA
Coverage amount	SAR 3.000.000 subject to increase to a maximum of SAR 6.000.000
Geographical coverage	KSA
Insurance duration	Unlimited.
Insurance entry in force	1/9/2007
Insurance expiry	Per the intention of any of the parties, by a 3-month notice

Reinsurance agreement	**11**
Agreement reference	CN 1410107
Reinsurer	Arab war risks insurance syndicate
Reinsured	UCA
Subscription	**Part 1** - Portions SAR 500.000 - Additions SAR 2.500.000 - Supplementary additions: SAR 500.000 **Part 2** - Retained portion: SAR 500.000 - Additions: SAR 35.000.000 - Supplementary additions: SAR 3.500.000
Coverage nature	**Part 1** - Ship hull and equipment **Part 2** - All types of cargo - War risks
Insurance duration	From 01/01/2014, may be terminated by 3-month notice to the other party

Reinsurance agreement	**12**
Agreement reference	14 T 704968002
Reinsurer	UCA for insurance and reinsurance
Reinsured	UCA
Subscription	SAR 11.000.00 for 2014
Coverage nature	Excess of loss reinsurance
Coverage amount	**Class 1** - Saudi branches only SAR 1.500.000 - Lebanese branches only SAR 2.000.000 **Class 2** - SAR 2.500.000 **Class 3** - All offices SAR 10.000.000 **Class 4** - All offices SAR 15.000.000 **Class 5** - All branches SAR 10.000.000
Geographical coverage	KSA and Lebanon
Coverage duration	Losses from 01/01/2014 to 31/12/2014
Insurance entry in force	01/01/2014
Insurance expiry	31/12/2014

Reinsurance agreement	**13**
Agreement reference	14 T 704968001
Reinsurer	UCA for insurance and reinsurance
Reinsured	UCA
Subscription	SAR 13.250.000
Coverage nature	Excess of non-marine loss reinsurance
Coverage amount	**Class 1** - SAR 2.500.000 **Class 2** - SAR 5.000.000 **Class 3** - SAR 15.000.000 **Class 4** - SAR 30.000.000 **Class 5** - SAR 45.000.000
Geographical coverage	KSA, GCC countries, Lebanon and all other Arab countries, including Lebanese offshore operations except USA and Canada
Coverage duration	from 01/01/2014 to 31/12/2014
Insurance entry in force	01/01/2014
Insurance expiry	31/12/2014

- **Below a summary of the Company's lease agreements:**

The Company has concluded lease agreements related to its head office, branches and sale points as per the following:

Lease agreement number 1432	**1**
Leased premises	A 616 m2 office at Riyadh Tower Building, Khobar
Lessor	Management of Riyadh Tower Building
Lease amount	SAR 308.000
Lease term	One calendar year
Lease commencement	01/04/2009
Lease termination	31/03/2010
Remarks	The agreement is renewable for similar periods based on the same conditions, except the lease amount which will be adjusted based on market value. The lease is for an unlimited period unless any of the parties inform the other of their intention to terminate the lease 30 days prior to the expiry of the initial or renewed period. This agreement is still valid as of the date of this Prospectus.

Lease agreement number 0013	**2**
Leased premises	2 stores in Khamis Mushait
Lessor	Ali Said Soueid Alchahrani
Lease amount	SAR 35.000
Lease term	5 hegira years
Lease commencement	01/02/1431H
Lease termination	31/01/1436H
Remarks	In case the lessee (Company) fails to pay the amount of the lease, the lessor may terminate the agreement without notice and the lessee will be responsible for all resulting loss and damage. If the lessee intends to terminate the agreement, he should notify the lessor 15 days prior to the termination. The lessee should deliver the leased premises in their initial condition and may not ask the lessor for the amount of any additions he has made during the leasing duration. The lessee undertakes to compensate the owner for any damage occurring to the leased premises, due to his operations or bad usage. The lessee may not transfer the leased premises to any other person without the lessor written consent. The lessee should pay all electricity, water and telephone fares as of 01/02/1431H. The lessor may terminate the agreement if the lessee fails to observe any of the stipulated terms and conditions. This agreement is still valid as of the date of this Prospectus.

Lease agreement number 1382	**3**
Leased premises	A 110sqm2 showroom at Riyadh Tower Building, Khobar
Lessor	Management of Riyadh Tower Building
Lease amount	SAR 40.000
Lease term	One calendar year
Lease commencement	01/02/2010
Lease termination	31/01/2011
Remarks	The agreement is renewable for similar periods and based on the same conditions, except for the lease value which may be adjusted according to market value. The lease is for an unlimited period unless any of the parties notifies the other of his intention to terminate the lease 30 days prior to the expiry of the initial or renewed duration. This agreement is still valid as of the date of this Prospectus.

Lease agreement	4
Leased premises	The whole 1st floor (615m2) of Said Alidari Building- Mohammed bin Abdel Aziz Street- Sulaimaniya - Riyadh
Lessor	Hakim Real Estate
Lease amount	SAR 800.000
Lease term	5 calendar years
Lease commencement	09/06/2010
Lease termination	08/06/2015
Remarks	The agreement is automatically renewable for similar periods and at the same conditions. The lease is for an unlimited period unless any of the parties notifies the other of his intention not to renew, 2 months at least prior to the expiry of the initial duration. This agreement is still valid as of the date of this Prospectus.

Lease agreement number 5012	5
Leased premises	6 offices at floors 11,12,13,14,41 and 42 in Al Mukhmal Tower Center, Jeddah, Khalydieh, Rawda Street, with a total area of 2760m2.
Lessor	Mrs. Najia Bent Abd El latif Jamil- AlMoukhmal for real estate investment
Lease amount	SAR 1.800.000 for each unit
Lease term	3 calendar years
Lease commencement	01/01/2011
Lease termination	31/12/2013
Remarks	Leased premises include 6 fully equipped kitchens, 6 refrigerators with 6 microwaves, 24 fully equipped bathrooms, a central air conditioned unit and an Intercom at the office entrance. It also includes 44 parking spaces. The agreement is automatically renewable for similar periods and at the same conditions. The agreement is for an unlimited period unless any of the parties notifies the other of his intention not to renew 3 months at least prior to the expiry of the initial lease duration. This agreement is still valid as of the date of this Prospectus.

Lease agreement number 0017	**6**
Leased premises	Stores at 2nd floor in Khamis Mushait.
Lessor	Ali Said Soueid Alchahrani
Lease amount	SAR 5.000
Lease term	5 hegira years
Lease commencement	01/07/1432H
Lease termination	30/01/1436H
Remarks	The lessee pays in advance the current and previous rent amounts at the beginning of every year. In case the lessee fails to pay the lease amount, the lessor may terminate the agreement without notice and the lessee will be responsible for all resulting loss and damage. If the lessee intends to terminate the agreement, he should notify the lessor 15 days prior to the date of termination. The lessee should deliver the leased premises in their initial condition and may not ask the lessor for the value of any additions he has made during the duration of the lease. The lessee undertakes to compensate the owner for any damage occurring to the leased premises, due to his operations or bad usage. The lessee may not assign the lease to any other person without the lessor written consent. The lessee should pay all electricity, water and telephone fares as of 01/02/1431H. The lessor may terminate the agreement if the lessee fails to observe any of the stipulated terms and conditions. This agreement is still valid as of the date of this Prospectus.

Lease agreement number5043	**7**
Leased premises	Offices 43 and 44 of the 4th floor at Al Moukhmal Tower Center, Jeddah- Khalydieh, Rawda Street of a total area of 920 m2.
Lessor	Mrs. Najia Bent Abd El latif Jamil- AlMoukhmal for real estate investment.
Lease amount	SAR 700.000 for each unit
Lease term	3 calendar years
Lease commencement	01/07/2011
Lease termination	30/06/2014
Remarks	Leased premises include 6 fully equipped kitchens, 6 refrigerators with 6 microwaves, 24 fully equipped bathrooms, a central air conditioned unit and an Intercom at the office entrance. It also includes 44 parking spaces. The agreement is automatically renewable for similar periods and at the same conditions. The agreement is for an unlimited period unless any of the parties notifies the other of his intention not to renew 3 months at least prior to the expiry of the initial lease duration. This agreement is still valid as of the date of this Prospectus.

Lease agreement number0184	**8**
Leased premises	Mezannine in Bouraydah
Lessor	Youssef, Ahmad, Awida and Nayef Fahd Al Awida
Lease amount	SAR 75
Lease term	1 hegira year
Lease commencement	01/08/143H
Lease termination	30/07/1433H
Remarks	The lessee is responsible for obtaining official permits and licenses and for the provision of necessary equipment. He is responsible for the premises safety and may not operate any changes without the written consent of the lessor. He undertakes not to claim any compensation for repairs he has done and not to use the leased premises for another purpose. Should the lessee violate the contract provisions, the contract can be terminated. In the event of the contract termination, the lessee undertakes to pay the rent amount for the remaining period without the right to claim any deduction. The agreement is renewable for similar periods and at the same conditions unless any of the parties notifies the other of his intention not to renew the contract, 3 months at least prior to the expiry of the initial or renewed date. This agreement is still valid as of the date of this Prospectus.

Lease agreement for 7 commercial showrooms	**9**
Leased premises	7 commercial showrooms at the 2nd floor of the Waha commercial center in Tabuk, Olaya street
Lessor	Said Ali Al Ghamidi
Lease amount	SAR 80.000
Lease term	5 years
Lease commencement	01/11/2011
Lease termination	30/10/2016
Remarks	In the event of default in payment within 30 days of the due date, the lessor may deem the contract terminated and offer the leased premises for rent to another party with no liability towards the Company. If the Company intends to evacuate the leased premises, it should notify the lessor within not less than 90 days of the calendar year, by written letter specifying its intention to evacuate. This agreement is still valid as of the date of this Prospectus.

Lease agreement of showroom number 52-2- 3,4 m2	10
Leased premises	Showrooms number 3 and 4 of the real estate number 52, ground floor, Building 2- King Abdel Aziz Street, Riyadh, with a total area of 435,08 m2
Lessor	Al Bayt Company for real estate development
Lease amount	SAR 435.080
Lease duration	5 calendar years
Lease commencement	01/01/2012
Lease termination	31/12/2016
Remarks	The Company was granted a 60 day grace period as of the agreement signature date. The agreement is automatically renewable for one year only unless one party notifies the other of his intention not to renew, 30 days prior to the expiry of the lease duration. This agreement is still valid as of the date of this Prospectus.

Lease agreement number0167	11
Leased premises	Showroom number7 with the mezzanine at Building number100- Hady Street- Jeddah .
Lessor	Mohammed Al koulayb Ahmad Alhazifi
Lease amount	SAR 300.000
Lease duration	3 calendar years
Lease commencement	01/05/2012
Lease termination	30/04/2015
Remarks	The agreement is automatically renewable for similar periods and at the same conditions unless any of the parties notifies the other of their intention not to renew 2 months at least prior to the expiry of the initial lease duration and by registered mail. This agreement is still valid as of the date of this Prospectus.

Lease agreement	12
Leased premises	Residential unit number19- 2nd floor- Al Jarouchi Mall- Al Rasifa street- Mecca, with a total area of 306,6 m2.
Lessor	Wajhat Company
Lease amount	SAR 219.219
Lease duration	1 hegira year
Lease commencement	22/05/1434H corresponding to 02/04/2013
Lease termination	22/05/1435H corresponding to 23/03/2014.
Remarks	The agreement is automatically renewable unless one of the parties notifies the other of his intention not to renew 60 days at least in prior to the expiry of the initial lease duration. The lessee usage of the leased premises has been specified as the Company's usage and may not be modified without the lessor prior written consent. This agreement is still valid as of the date of this Prospectus.

10-6 Employment agreements of top senior executives

The Company has concluded employment agreements with senior executives as follows:

A- **Machaal Afif Karam**

Position: CEO of the Company

Agreement effective date: 01/01/2009

Agreement term: one calendar year, and should both parties continue the execution after the expiry date, the agreement is deemed renewed according to articles 37 and 55 of Labor Law. This agreement is effective as of the date of this Prospectus.

B- **Faker Rais**

Position: CFO

Agreement effective date: 1/2/2011

Agreement term: one calendar year, and should both parties continue the execution after the expiry date, the agreement is deemed renewed according to articles 37 and 55 of Labor Law. This agreement is effective as of the date of this Prospectus.

10-7 Insurance policies

The Company has contracted insurance policies to insure its employees and provide protection from risks. Below details of these policies:

Figure 10-2: The Company's insurance policies

Policy type	Insurance Company	Coverage period	Insurance premium (SAR)
Property insurance	UCA	Up to 31/03/2015	5,715
Group medical insurance- Jeddah	UCA	Up to 31/12/2014	2,927,258
Group medical insurance- Riyadh	UCA	Up to 31/12/2014	1,156,650
Group medical insurance- Al Dammam	UCA	Up to 31/12/2014	395,642
Group protection insurance	UCA	Up to 31/12/2014	655,842
Insurance for electronic equipment and IT devices	UCA	Up to 31/03/2015	5,200
Third party liability insurance	UCA	Up to 31/03/2015	5,000
Money insurance	UCA	Up to 31/03/2015	3,250
Motor insurance	UCA	Up to 31/12/2015	1,320
Motor insurance	UCA	Up to 01/06/2015	1,050
Motor insurance	UCA	Up to 03/04/2015	890
Motor insurance	UCA	Up to 03/04/2015	1,950
Motor insurance	UCA	Up to 24/01/2015	1,475

Source: the Company

The Company renews these policies at their expiry date.

10-8 Insurance policies offered by the Company

The Company offers a range of insurance products, part of which were granted final approval by SAMA, and the other part a preliminary approval. Below a summary of these products:

Figure 10-3: the Company's insurance products granted final approval by SAMA

No.	Product name	Status
1	Air insurance	Final approval from SAMA
2	Burglary insurance	Final approval from SAMA
3	Credit insurance	Final approval from SAMA
4	Energy insurance	Final approval from SAMA
5	Engineering insurance	Final approval from SAMA
6	Fidelity guarantee insurance	Final approval from SAMA
7	Medical insurance (group)	Final approval from SAMA
8	Medical insurance (individuals)	Final approval from SAMA
9	Money insurance	Final approval from SAMA
10	Personal accidents insurance	Final approval from SAMA
11	Property insurance	Final approval from SAMA
12	General liability insurance	Final approval from SAMA
13	Work interruption insurance	Final approval from SAMA

Figure 10-4: the Company's insurance products granted preliminary approval by SAMA

No.	Product name	Status
1	Insurance for the general trading liability and for products	Preliminary approval from SAMA
2	Extended guarantee insurance	Preliminary approval from SAMA
3	Marine cargo	Preliminary approval from SAMA
4	Ship hull	Preliminary approval from SAMA
5	Medical errors and general liability	Preliminary approval from SAMA
6	Engine insurance	Preliminary approval from SAMA
7	Workers compensation insurance	Preliminary approval from SAMA
8	Property-all-risk insurance (LM7)	Preliminary approval from SAMA
9	Work compensation insurance	Preliminary approval from SAMA

10-9 Intangible Assets

The Company filed an application to register its trademark at the Trademark Office at the Ministry of Commerce and Industry under class 36 designated for "Insurance services, financing, finance and real estate". The application was registered under number 1435020062 dated 1/11/1435H. However, up to this date, the trademark has not been finally registered under the name of the Company nor fully protected.

The Company does not have any trademark license agreement registered under its name. The Company's competitive position depends, among other factors, on its ability to protect and use its intangible assets. Thus, the inability to protect these assets, or in some cases, the need to take legal action to protect them may negatively impact the Company's business and make its business more expensive which may adversely affect the results of the Company's operations.

The Company does not have any other registered intellectual property rights.

10-10 Litigations, disputes and claims

There is only one lawsuit officially registered against the Company and that before the Administrative Court in Jeddah and dated 12/04/1435H corresponding to 12/02/2013G.

Based on the documents filed at the court, the claimant (Al Samkary Establishment) assumes that UCA failed to execute the provisions of the agreement concluded among the parties, and based on which the claimant was required to withdraw or purchase all damaged cars owned by the Company's agents. The claimant claimed the following:

- Bind the Company to deliver to the claimant the number of which the Company committed to deliver pursuant to the agreement
- Compensate the claimant against the damage incurred due to the Company's failure to execute the agreement
- Bind the Company to pay the cost of withdrawing the cars and parking the same at the claimant's premises, and which is fixed at SAR 7.800.000
- Bind the Company to pay an amount of SAR 626.955 as a value of the cars defects
- Bind the Company to pay the amount of SAR 25.200 as fees for the extraction of lost replacement certificates for 63 cars.

The claimant has not specified the compensation amount for the incurred damage.

The Company filed a counterclaim requesting the dismissal of the lawsuit, mainly on the basis that the nature of the relationship between the parties is non-exclusive, and binding the claimant to pay the value of the cars and the lawyer fees.

The Company enclosed with its counterclaim all documents supporting the Company's rights.

It is worth noting that clause 9 of the agreement imposes on any who breaches the agreement a penalty of SAR 5000, not amendable or reducible. Based on the limits of the penalty in clause 9, the Company refused any claim for additional compensation submitted by the claimant.

This lawsuit is still being reviewed before the competent court; however, the Company believes it will not affect its financial position.

Except the above-mentioned, the founding shareholders confirm, as of the date of this Prospectus, that any of them is party to any lawsuit or arbitral procedure, claim or administrative procedure that may adversely affect the Company's financial position or results of operations.

10-11 Activities continuation

The Company does not expect any activity discontinuation or material change in the near future. Further, there was no discontinuity of the Company's operations in the previous year.

10-12 Agreements and contracts with related parties

The Company has contracted with Hassan Mahassni Law Office, represented by attorney Hassan Mahassni, chairman of the Company, for the provision of various legal services to the Company for one year as of 16/04/2014.

The Company also contracted with CARS wherein the non-executive director Mr. Salman Mohamed Ben Laden has an interest of 5%, for the latter to provide administrative services for the insured employees beneficiaries of individual and collective health insurance plan, between 01/01/2014 G. and 31/12/2014 G.

As per article 69 of the Companies Law and article 23 of the Company's by-laws, the Company's directors may not have any direct or indirect interests in the Company's operations or contracts unless with the consent of the Company's General Assembly, such approval to be revalidated annually.

In this context, we note that both agreements referred to above were ratified by the shareholders' general assembly on 01/07/1435H corresponding to 30/04/2014.

As per article 11 of the Company's by-laws, directors who have contracted with the Company and their agreements ratified by the General Assembly, must allocate a minimum of 5000 guarantee shares as a guarantee against the contracts concluded. We note in this context that both Mr. Hassan Mahassni and Mr. Salman Salem Bin Laden allocated 5,000 guarantee shares in December 2014, against the agreements which they concluded with the Company.

10-13 Summary of the Company's By-laws

The Company's by-laws include the following main provisions and the complete version of the by-laws will be available for inspection at the Company's Head office.

There are many procedures that require SAMA's approval including but not limited to increase or decrease of capital, dividends distribution and transfer of founding shareholders shares, merger with other Company, Company liquidation and appointment of directors.

10-13-1 Name of Company

United Cooperative Assurance.

10-13-2 The Company's Head Office

The Company's head office is located in the city of Jeddah and may be relocated to any other city in Saudi Arabia under an EGM's resolution and after obtaining SAMA's approval. The Board of Directors may also, after obtaining SAMA's approval, open branch or agency offices inside or outside the Kingdom of Saudi Arabia.

10-13-3 Objectives of the Company

The objective of the Company is to engage in cooperative insurance operations and all related activities, such as reinsurance, agencies, representations, correspondence and brokerage, all in accordance with the provisions of the Law on the Supervision of Cooperative Insurance Companies, its Implementing Regulations and the rules and regulations in force in the Kingdom.

The Company may undertake all activities as may be required for achieving its objectives whether in respect of insurance or investing its funds or to own, dispose of, transfer, lease or replace moveable and fixed assets whether directly or indirectly through companies to be established by the Company or acquired by it or in participating in other entities. The Company may practice such activities inside or outside the Kingdom of Saudi Arabia.

10-13-4 Duration of the Company

The term of the Company shall be ninety nine (99) Gregorian years, commencing on the date of issuance of the Ministerial resolution of MOCI declaring its incorporation. The term of the Company may be extended by a resolution adopted by an EGM at least one (1) year prior to the expiration of the term of the Company.

10-13-5 Share Capital

At incorporation, the share capital of the Company was set at SAR 200,000,000 (Two Hundred Million Saudi Riyals); divided into 20,000,000 (Twenty Million) shares of equal value, each with a nominal value of SAR 10 (Ten Saudi Riyals). The founding shareholders subscribed for 12,000,000 shares representing 60% of the share capital and paid their value in full. The remaining 8,000,000 shares representing 40% were offered for public subscription through an IPO on 30/02/1429H corresponding to 08/03/2008. The Company has not granted any preferential rights or allowances to any of the founding shareholders or others.

The share capital was increased by 40% to SAR 280.000.000 consisting of 28.000.000 shares of equal value each share of SAR 10, by the EGM resolution dated 26/06/2013. These shares value was transferred from the Company's reserve and added to the share capital.

10-13-6 Decrease of Capital

Subject to the approval of the EGM and the relevant government authorities, the Company may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made.

If the reduction of the capital is due to its being in excess of the Company's needs, then 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 to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

10-13-7 Transfer of shares

Shares shall be transferable in accordance with the rules, regulations and directives issued by CMA. As an exception to the foregoing, the cash shares subscribed to by the founding shareholders shall not be transferable before publishing the balance sheet and the profit and loss statement for two full fiscal years, each consisting of 12 months from the date of incorporation of the Company. Such provisions shall apply to any shares subscribed for by the founding shareholders in case of increasing the Company's capital before the lapse of the prohibition period. However, cash share may be transferred during the prohibition period in compliance with the rights selling provisions from one founder to another or to any Board member to serve as qualification shares or from the heirs of any founders to any third party in case of death.

10-13-8 Guarantee shares

Each Director shall provide the Company (upon his election) with a guaranty equivalent to no less than 5,000 (Five Thousand) Shares against any contracts arising between him and the Company, which have been approved at an Ordinary General Assembly. Such right of attachment shall include dividends due on the attached Shares.

The Board of Directors may, after obtaining the involved authorities, sell the shares provided by the Company's directors as guarantee against contracts may arise between them and the Company provided the debt is already due.

This action will be taken after the second written notice to the involved director requesting payment of debt within two weeks. In case of involved director failure to settle the debt the Board of Director then may sell the director's shares through Tadawul. Any remaining balance after settlement of the debt will be paid to the shareholder or its custodian or heirs.

10-13-9 Board of Directors

The Company shall be managed by a Board of Directors consisting of seven members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. This appointment does not prejudice the right of the shareholder/legal entities to replace their representative in the Board.

The mandate of the board member expires at (i) the expiry of the term, resignation, death or if the board of directors finds that the director has failed to meet his obligations and has caused prejudice to the Company's interests, provided the board gets the approval of the general assembly; or (ii) the director' term has already expired according to any applicable laws in the kingdom, or (iii) the director has been absent at the board meetings for three consecutive times without any justified reason, or (iv) if he has been subject to bankruptcy or became insolvent or been subject to any mental illness, or has been convicted of fraud. In case any of the directors' position becomes vacant, the board of directors may appoint another director, provided such appointment is presented to for ratification by the next general assembly and the new director only continues his predecessor's term.

10-13-10- The Board's Authorities

Without prejudice to the powers reserved for the general assembly, the Board shall have the widest powers to manage the Company's affairs and businesses. The Board may, within limits of its authorities, assign to one or more of its members or others to carry out specific assignments.

10-13-11 The Board's Remuneration

The Board of Directors will determine the salaries, allowances and remunerations for the chairman and directors in accordance with the stipulations of article 20 of the Company's by-laws.

The remuneration of the Chairman of the Board for performing his duties shall be SAR 180,000 (One Hundred Eighty Thousand Saudi Riyals) per annum. The remuneration for each Director for performing their respective duties shall be SAR 120,000 (One Hundred Twenty Thousand Saudi Riyals) per annum.

The Chairman and each Director shall be paid SAR 3,000 (Three Thousand Saudi Riyals) for attending each Board meeting and an amount of SAR 1,500 (One Thousand Five Hundred Saudi Riyals) for attending each meeting of the Board's sub committees. In any event, the remuneration of the Chairman and the Directors may not exceed 5% of the net profits.

The Company shall make sure to (i) send to the shareholders all details regarding the proposed salaries and benefits which are to be granted to the board members prior to the shareholders general assembly meeting, (ii) to obtain the approval of the general assembly with regards to the such salaries and benefits in a meeting where the board members and/or the senior executives which are being granted the salaries and benefits are not attending.

The salaries and benefits of the board members can be adjusted subject to the consent of SAMA and based on an approval of the General Assembly.

10-13 -12 Chairman and Managing Director

The Board of Directors shall appoint one of its members as Chairman and the Board shall appoint a Managing Director for the Company from the members of the Board. The Chairman and the Managing Director shall severally or jointly have the power to represent the Company before judicial bodies and with third parties. The Chairman and the Managing Director individually, shall have the authority to sign on behalf of the Company, implement the Board resolutions and delegate their duties to others. The Managing Director shall be responsible for the executive management of the Company.

10-13-13 Board Meetings

The Board shall be called to convene in the head office of the Company by its Chairman or by two of its members at least. The call shall be documented in the manner specified by the Board. The Board of Directors can meet outside the Company's premises provided that it shall meet at least four (4) times a year provided that the interval between the meetings shall not exceed four months.

The meeting of the Board shall not have a quorum unless attended by at least two third of the members in person or by proxy, provided that the members attending in person shall not be less than at least four of the members. Subject to article 15 of the by-laws, a board member may delegate any other member to attend the board meetings and vote on his behalf. Such proxy should be in writing and the delegated member shall not be allowed to vote on the resolutions that he is prohibited to vote therein.

Board resolutions shall be adopted by the vote of 2/3 of its members present or represented at the meeting. The chairman of the board does not hold a casting vote.

Board resolutions may be voted upon through circulation unless one of the members requests, in writing, to hold a meeting to discuss the resolution. In this case, resolutions shall be presented at the Board's next meeting. Any member of the Board of Directors who has a direct or indirect interest in any matter or suggestion presented to the Board or the Executive Committee, as applicable, shall inform the Board or the Executive Committee 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 the suggestion.

The board directors may not conclude with the Company any insurance contracts in which they have any interest, without the approval of SAMA.

The board of directors should appoint a secretary. The board may also appoint one advisor or more for the Company's various affairs while specifying their remunerations.

The Company's chairman and managing director are responsible, each of them within the limits of his authorities, for any breach of the Company's by-laws.

10-13-14 Committees of the Board

10-13-14-1 Audit Committee

The Audit Committee shall consist of no less than three (3) and no more than five (5) members who are not Executive Directors of the Company and the majority of whom shall not be members of the Board of Directors, including a specialist in financial and accounting and as approved by SAMA, MOCI and CMA.

10-13-14-2 Executive Committee

The Board of Directors shall form an Executive Committee consisting of no less than three (3) and no more than five (5) members. The Executive Committee's meetings shall be chaired by the chairman who will be appointed by the

members of the Executive Committee and from among them. If the chairman is not present at a meeting, the Committee shall appoint a temporary chairman among the present members. A member of the Executive Committee may give proxy to another member who shall have the voting power for only three meetings. The term of membership of the Executive Committee shall be the same as of the Board and the Board shall fill any vacancy on the level of the Executive Committee.

With respect to any instructions stipulated by SAMA or by the Board of Directors of the Company, the Executive Committee shall carry out all the authorities stipulated by SAMA or the Board. The Executive Committee, within its scope of authorities, shall assist the Company's Managing Director or the 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) of the members shall be present in person. The decisions of the Executive Committee shall be adopted by the unanimous vote of its members and in the case of dispute, the decisions shall be adopted by the vote of two third of the members present.

10-13-15 General Assembly Meetings

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 an EGM, 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.

An EGM shall have the power to amend the Company's Articles of Association, except for such provisions as may be impermissible to be amended under the regulations. 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.

The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least 50% of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following thirty (30) days of the previous meeting. Such notice for the meeting shall be published in the same manner described above. The second meeting shall be deemed valid irrespective of the number of shares represented.

As for an EGM, it shall not be deemed valid unless attended by Shareholders representing at least fifty per cent (50%) of the Company's capital. If such quorum is not attained in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as valid if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

10-13-16 Shareholders' Assemblies' Resolutions

Resolutions of the constituent assembly and Ordinary General Assembly shall be adopted by an absolute majority vote of the Shares represented thereat. Resolutions of an EGM shall be adopted by a majority vote of two thirds of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the period specified therefore in its By-laws or merging the Company with another Company or institution, then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

10-13-17 Auditor

At a general assembly, shareholders shall appoint 2 (two) auditors annually from among the auditors licensed to work in the Kingdom. The auditors' remuneration shall be fixed by the shareholders at a general assembly.

Shareholders may, at a general assembly, further reappoint the same auditors.

10-13-18 Fiscal year

The fiscal year of the Company shall start on January 1 and end on December 31 of the same year. However, the first fiscal year of the Company shall commence on the date of the ministerial resolution declaring its incorporation and shall end on December 31 of the following year.

10-13-19 Distribution of Profits

The Shareholder's profits shall be distributed as follows:

- Zakat and income tax allocations are to be held.

- 20% of the net profits shall be withheld to form a statutory reserve. The Ordinary General Assembly may discontinue this withholding of the net profits when the said reserve reaches the entire paid-up capital.

- The Ordinary General Assembly may, upon request of the Board of Directors, withhold an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or specific purposes decided by the Ordinary General Assembly.

- The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up capital.

- The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account.

By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in the above sub-section, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

The Company shall notify the Capital Market Authority without delay of any decisions to distribute profits or any recommendation to do so. The dividends will be paid in the time and at the place to be determined by the Board of Directors in compliance with the instruction issued by MOCI, provided that the prior written approval of SAMA is obtained.

If the total of the Company's losses amount to three-quarters of its capital, the Directors shall call an EGM to consider whether the Company shall continue to exist or dissolve prior to the expiry of its period. In all cases, the assembly's resolution shall be published in the Official Gazette.

10-13-20 Dissolution and Winding up of the Company

If the Company's term expires or a resolution is issued on its dissolution prior to the time set for the expiry of such duration, shareholders shall, at an EGM, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidator(s) and specify their powers and remuneration. The powers of the Board of

Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidators is appointed. The Company's administrative departments shall retain their respective powers to the extent that they do not conflict with the powers of the liquidators.

10-13-21 Final provisions

Provisions of the Cooperative Insurance Companies Control Law and of its implementing regulations as well as provisions of Companies Law and CMA and their implementing regulations are applicable as for events not ruled by any specified text of the present by-laws.

Worthy to note that the Company's by-laws failed to mention the repurchase of the Company's shares; accordingly, it should be referred to the Companies Law, in particular to article 104 in virtue of which the shares depreciation may be done through the Company purchasing its own shares, at a price below or equal to the nominal value if the project is gradually depreciated or is based on temporary rights, read in conjunction with article 105 of the Companies Law by virtue of which the Company may purchase its own shares if the purchase purpose is the depreciation of shares or the decrease of the share capital.

Further, the Company's by-laws failed to mention provisions governing the adjustment of shares equity and classes. None of such provisions have been subject to discussion at any of the Company's general assemblies.

11- Advisors' statements

The approval of the Offering Financial and Legal Advisors, as well as of the Financial Due Diligence Advisor and auditors whose names appear in this Prospectus has been obtained regarding with regards to including their names in this Prospectus.

All the aforementioned parties have granted and not withdrawn their written consent to the publication of their names and logos in the Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company.

12- Underwriting

Underwriter

Alististhmar Capital for Financial Securities and Brokerage will be the sole underwriter.

الاستثمار كابيتال
ALISTITHMAR CAPITAL

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Tel: 966 11 2547666
Fax : 966 11 4892653
www.alistithmarcapital.com
info@alistithmarcapital.com

The Company has concluded an underwriting agreement with the Underwriter.

Below a summary of the key terms of the underwriting agreement

Number of rights: 21.000.000 shares

Offer price SAR 10 per share

Summary of the underwriting agreement

(a) The Company undertakes to the Underwriter that, on the allocation Date, it will allocate and issue to the Underwriter all shares that have not been subscribed for by the eligible shareholders as additional shares, at the Offer Price.

(b) The Underwriter undertakes to the Company that it will, on the allocation date, purchase the shares that have not been subscribed for by the eligible shareholders as additional shares and for which he committed to underwrite, at the Offer Price.

Offering Expenses

SAR 5,300,000 of the Offering proceeds will be used to cover the Offering expenses which include the fees of the Legal Advisor, Financial Advisors, Reporting Accountant and Public Relations Advisor in addition to underwriting fees, Receiving Agents fees, marketing fees and printing and distribution fees and any other related fees. These estimations are subject to final confirmation. The Offering expenses will be deducted from the Company's account after completion of the Offering.

13- Subscription Terms and Conditions

All registered shareholders of the Company at the end of trading on the day of the EGM ("Registered Shareholders" or "Qualifying Shareholders") and investors who purchased the Rights during the Trading Period (the "Trading Period") (such Registered Shareholders and investors hereinafter referred to as "Eligible Persons") must carefully read the Subscription Terms and Conditions (the "Subscription Terms and Conditions") prior to completing the Subscription Application Form (such form in physical or electronic form hereinafter referred to as the "Subscription Application Form"), since the completion, execution and submission of the Subscription Application Form to a Receiving Agent ("Receiving Agent") constitutes acceptance and agreement to the Subscription Terms and Conditions. Signing the Subscription Application Form and submitting it to the Receiving Agent is considered a binding agreement between the Company and the Eligible Person. Eligible Persons may obtain this Prospectus and Subscription Application Form from the following Receiving Agents:

Samba Financial Group
King Abdul Aziz Road
P.O. Box: 833, Riyadh 1142
Kingdom of Saudi Arabia
Tel: +966 11 477 4770
Fax: +966 11 479 9402
Website: www.samba.com.sa
E-mail address: CustomerCare@samba.com

Riyadh Bank
P.O. Box 22622, Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 11 401 0303
Fax: +966 11 404 2618
Website: www.riyadbank.com
E-mail Address: customercare@riyadhbank.com

The Saudi Investment Bank
Al Maazar Street, Riyadh
P.O. Box: 3533, Riyadh 11481
Kingdom of Saudi Arabia
Tel: +966 11 477 8433
Fax: +966 11 473 1978
Website: www.saib.com.sa
E-mail address: ir@saib.com.sa

The National Commercial Bank
King Abdulaziz Road
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 12 649 3333
Fax: +966 12 643 7426
Website: www.alahli.com.sa
E-mail address: contactus@alahli.com.sa

13-1 Subscription to the New Shares

Pursuant to this Prospectus, 21,000,000 of the Company's shares will be offered for subscription by way of a rights' issue, representing 75% of the Company's pre-Offering share capital, at an Offer Price of SAR 10 per share, with a nominal value of SAR 10 per share.

Subscription for the new shares is made available to the Registered Shareholders, as at the close of trading on the date of the EGM held on Wednesday 27/05/1436 H. (corresponding to 18/03/2015 G.) (the "Eligibility Date") and to the Eligible Persons who purchased the 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 "Second Offering Period"), the Rump Shares (the "Rump Shares") resulting from non-exercise or sale of the Rights by Eligible Persons will be made available to Institutional Investors ("Institutional Investors") during the Rump Offering (the "Rump Offering"). Registered Shareholders may trade their Rights deposited in their accounts through Tadawul. These Rights will be considered acquired by all Registered Shareholders in the Company's Shareholders Register as of the Eligibility Date. Each Right grants its holder eligibility to subscribe in one (1) New Share at the Offer Price. The Rights shall be deposited, within, two working days after the date of the EGM.

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 on Wednesday 29/04/1436 H. (corresponding to 18/02/2015 G.).

- **First Offering Period** (the "**First Offering Period**"): Starts on Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until the end of the day on Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.). 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. The subscription for the New Shares will be approved, in accordance with the number of Rights available in the relevant account at the end of the Trading Period. The first Offering period coincides with the Trading Period during which Registered Shareholders and the public may trade in the Rights.

Subscription for the New Shares will occur by submitting a Subscription Application Form to any branch of the Receiving Agents by submitting a filled subscription form or through an Automated Teller Machine ("**ATM**") or through the telephone or through subscribing electronically with the Receiving Agents that offer such services to subscribers. It should be noted that at the end of the Trading Period, if a 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 Agent.

- **Trading Period**: Starts on Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until the end of the day on Thursday 14/05/1436 H. (corresponding to 05/03/2015 G.), (in conjunction with the First Offering Period).

Tadawul is preparing mechanisms to regulate the trading of Rights and assigned a new symbol for the Company's Rights Issue (separate from Company's trading symbol). The trading system will cancel the Company's Rights Issue symbol once the Trading Period expires. This period includes the following options:

a. Registered Shareholders have the following options in the First Offering Period and Trading Period:

o Retain the acquired Rights as of the Eligibility Date and exercise their Rights to subscribe for the New Shares through the Receiving Agents;

o Sell all their Rights or a part thereof through Tadawul;

o 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 Agents that provide such services to their customers); or

o Refrain from taking any action in relation to the Rights Issue, whether selling the Rights or exercising the right to subscribe for New Shares (The Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering).

b. Those who purchased Rights during this period, may trade these Rights either by selling them or buying part or all of these Rights. 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 a Subscription Form or through an ATM machine or through the telephone or through subscribing electronically with one of the Receiving Agents that provide such services to their customers. If they don't subscribe for the Rights by the end of the Second Offering Period, then the Rump Shares resulting from not exercising the Rights or selling the same will be offered on the Exchange during the Rump Offering.

• **Second Offering Period:** Starts on Sunday 17/05/1436 H. (corresponding to 08/03/2015 G.) until the end of the day on Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.). No Shares can be traded during this period. This period includes the following steps:

o 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 Period, may exercise their Right during this period 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 a Subscription Application Form or through an ATM machine or through the telephone or through subscribing electronically with one of the Receiving Agents 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 be placed on the market for the Rump Offering.

o 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 in the New Shares in this phase through the same procedures outlined in the First Offering Period. If they don't subscribe for 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 placed on the market for the Rump Offering.

• **Rump Offering:** Starts at 10:00am on Sunday 24/05/1436 H. (corresponding to 15/03/2015 G.) until the following day at 10:00am on 25/05/1436 H. (corresponding to 16/03/2015 G.). During this period, the Rump Shares will be offered to a number of Institutional Investors, introduced by the Lead Manager following discussions with the Company. The Institutional Investors 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 offers 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 Offer Price shall be distributed to the Eligible Persons no later than Thursday 06/06/1436 H. (corresponding to 26/03/2015 G.).

• **Trading of the New Shares on the Exchange**: Trading in the New Shares on the Exchange is expected to commence once all necessary formalities pertaining to their registration and allocation have been completed.

The Company filed a request with the CMA for registration of the New Shares on the Exchange. The Company will further submit a request to the CMA to allow the trading in the New Shares after completion of the Offering.

Receiving Agents shall start receiving Subscription Application Forms in their branches in the KSA from Tuesday 05/05/1436 H. (corresponding to 24/02/2015 G.) until Tuesday 19/05/1436 H. (corresponding to 10/03/2015 G.)

Upon completing, signing and submitting the Subscription Application Form, the Receiving Agent 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 Agent, the Subscription Application Form will be considered void.

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 price in excess of the Offer Price of the Rump Shares (if any). Registered Shareholders will retain the same number of Shares that they owned before the capital increase. 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.

The Eligible Person shall 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 a Receiving Agent will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Agents, and shall be considered a binding contract between the Subscriber and the Company, once approved by the Company.

Subscription under the name of legal entities such as companies, banks, investment funds or commercial establishments shall not be accepted. Application Forms will be made available during the Offering periods either through the branches of the Receiving Agents and the Lead Manager. The subscription amount should be paid in full upon submission of the Subscription Application Form by authorizing the Receiving Agent to debit the account of the Subscriber at the Receiving Agent with the required amount, or through a certified check drawn at one of the local banks and addressed to the name of ("United Cooperative Assurance Account - Rights' Issue") without the need for the subscriber to have a bank account with the Receiving Agent.

Subscription may also be made through tele-banking services section or ATMs or internet banking of any of the Receiving Agents providing such services, provided in this case that the Subscriber would have an account opened with the receiving party through which the subscription is being made and that the information related to the subscriber are updated into the receiving party's records.

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 29/04/1436 H. (corresponding to 18/02/2015 G.), 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 subscribe into the New Shares, 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 price in excess of the 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 for the New Shares and Shareholders entitled to fractional shares by dividing the compensation amount by the total number of Shares not subscribed for by Eligible Persons and Shareholders entitled to fractional Shares. The compensation per share will thus be determined and paid to the Eligible Persons who did not subscribe for all or part of the Shares they were entitled to, as well as those entitled in fractional Shares.

13-1-1 Filling the Subscription Application Form

Eligible Persons wishing to exercise their full right and subscribe for all the Rights, to which they are entitled, must fill and submit a completed Subscription Application Form, together with the subscription monies for their full entitlement and the required accompanying documents, to one of the Receiving Agents.

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 ten Riyals.

By completing and presenting the Subscription Application form, the Subscriber:

- Agrees to subscribe for the number of New 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; and
- Warrants not canceling or amending the Subscription Application Form after submitting it to the Receiving Agent.

13-1- 2 Documents required to be submitted with the Subscription Application Forms

The Subscription Application Form must be submitted together with the following documents, as applicable to each case, and the Receiving Agents 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 entities)

The subscription amount shall be paid in full, upon submission of the Subscription Application Form to a branch of one of the Receiving Agents, by authorizing the Receiving Agent to debit the account of the Subscriber at the Receiving Agent with the required amount, or through a certified check drawn at one of the local banks and addressed under the name of ("United Cooperative Assurance Account - Rights' Issue").

Any power of attorney issued for purposes of the subscription will be restricted to first class relatives (children, parents, wife, husband). In case of applying on behalf of another person, the authorized person 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.

13-1-3 Submission of the Subscription Application Form

Receiving Agents shall start receiving Subscription Application Forms in their branches in the KSA during the First Offering Period and the Second Offering Period.

Subscription Application Forms can be submitted by Institutional Investors for any Rump Shares only during the Rump Offering. Subscription Application Forms can be delivered during either of the Offering periods either through a branch of the Receiving Agents or the tele-banking services section or ATMs or internet banking of any of the Receiving Agents providing such services. The Subscription Application Form includes further information which is to be strictly followed.

Upon completing, signing and submitting the Subscription Application Form, the Receiving Agent 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 Agent, the Subscription Application Form will be considered void.

The Eligible Person shall 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 a Receiving Agent will be considered void. The application form may not be amended or withdrawn after submission to the Receiving Agents, and shall be considered a binding contract between the Subscriber and the Company, once approved by the Company.

The Subscriber from among Eligible Persons is deemed to have bought the number of New 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 Agents' branches;
- Payment in full by the Eligible Person to the Receiving Agents of the total Offer Price (as specified above) of the Shares subscribed for; and
- Delivery to the Eligible Person by the Receiving Agents of the allocation letter specifying the number of Shares allocated to him/her.

Eligible Persons will not be allocated New Shares exceeding the number of New Shares that they subscribed for.

13-2 Allocation

The Company and Lead Manager shall open an escrow account called "United Cooperative Assurance - Rights Issue", in which the subscription proceeds shall be deposited. The New Shares shall be allocated to each subscriber 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 Offer Price shall be distributed on pro rata to the Eligible Persons no later thanthan Thursday 06/06/1436 H. (corresponding to 26/03/2015 G.) . Excess unsubscribed for Shares shall be purchased by and allocated to the Underwriter.

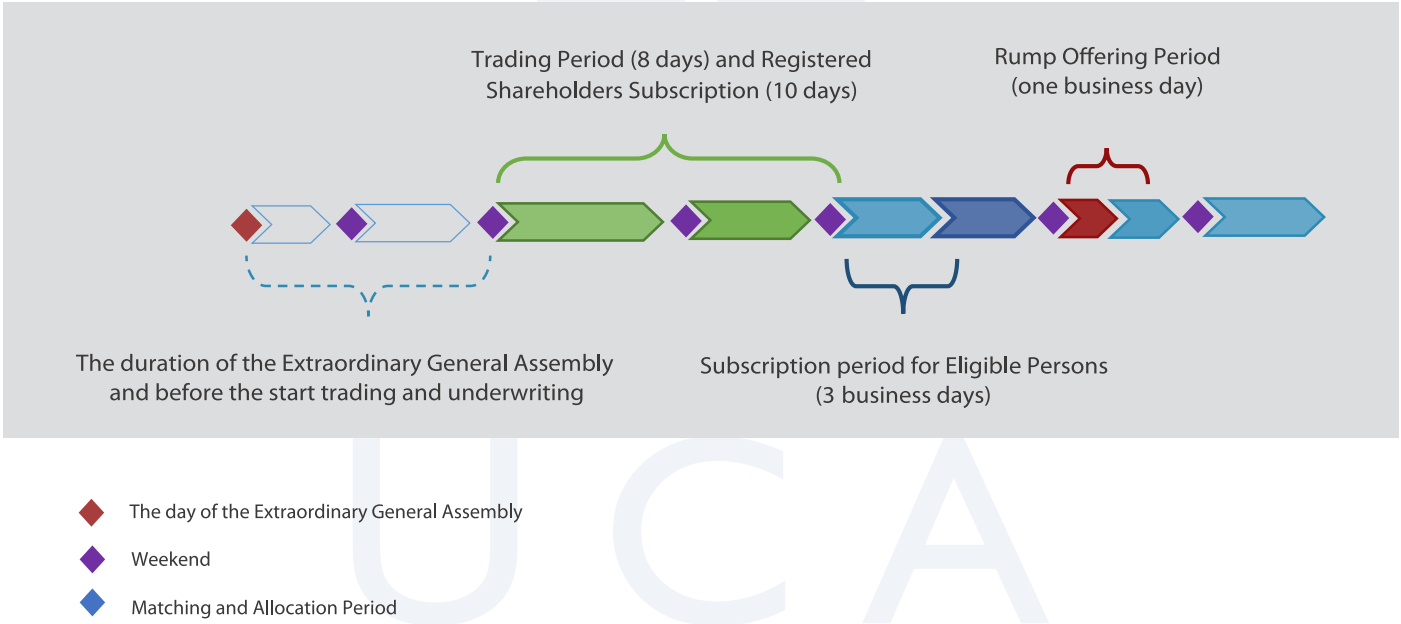
Fraction shares will be accumulated and offered to the institutional investors during the Rump Offering Period. The proceeds of these shares will be paid to the involved shareholders no later than Thursday 06/06/1436 H. (corresponding to 26/03/2015 G.)

Final notice for the number of Shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager or Receiving Agents is expected to take place at the time of depositing the shares into the accounts of Subscribers. Eligible Persons shall contact the branch of the Receiving Agent where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than Wednesday 27/05/1436 H. (corresponding to 18/03/2015 G.).

Compensation Payment

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 06/06/1436 H. (corresponding to 26/03/2015 G.).

Diagram of New Rights Issue Mechanism



FAQs about the Rights Issue Mechanism

What is a Right issue?

A Right Issue is an Offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the capital increase of the Company. 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?

The 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. The Shares will appear in the accounts of Registered Shareholders under a new symbol that designates these Rights. These Rights cannot be traded or exercised by the Registered Shareholders until the beginning of the First Offering Period.

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

The 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 is subject to 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.

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 already owned on the date of the EGM. If a Company, for example, has issued 1,000 shares and increases its capital by Offering 500 new shares, its number of shares becomes 1,500. Then, the eligibility ratio is 1 to 2 (one new share for every 2 existing 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 trading commencement?

The Right opening price is the difference between the share closing price on the day preceding such Right listing, and the Offer Price. For example, if the closing price of a share on the preceding day is SAR 25 (twenty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 25 minus 10, i.e. SAR 15 (fifteen Saudi Riyals).

Can Registered Shareholders subscribe for additional shares?

Registered Shareholders can subscribe for additional shares 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 Agents' branches (mentioned in this Prospectus) and only during the First Offering Period and/or the Second Offering Period.

Is it possible to subscribe more than once and through more than one receiving agent?

Yes it is, provided the number of subscribed shares does not exceed the number of acquired rights at the end of the rights trading period. Otherwise, the subscription application will be cancelled.

In the event that the Company's shares are being owned through more than one account, in which account the rights shall be deposited?

They will be deposited in the same account where are deposited the Company's shares related to the rights. For instance, in the event that one of the shareholders owns 1000 shares in the Company (800 shares in account A, 200 shares in account B, the total number of rights to be deposited will be 750 rights, considering that for each share there is 0.75 right. Therefore, 600 rights will be deposited in account A and 150 rights in account B.

In the event of subscription in more than one account, where are deposited the new shares after allocation?

According to the Securities Depository center, securities are being deposited in the most recent investment account except securities acquired through 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 Agents or the Tadawul's depository center and submitting the requisite documents.

What happens if New Shares are subscribed for, and then the Rights have been 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 sold Rights. In this case, the Registered Shareholder will be notified by its Receiving Agent and the rejected Offering amount will be refunded.

Are additional Rights purchasers entitled to trade them once 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 is it possible for the shareholder to subscribe for the rights he acquired during the trading period?

He could do so during the second Offering period after expiry of the Trading period.

Can the Eligible Person sell the Right after expiry 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. In case 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 operations, without a minimum commission being imposed.

13-3 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 set here and any receipt of the Subscription Application Forms or any related Agreements are subject to the regulations of the Kingdom, and shall be interpreted and executed according to such regulations.

This Prospectus may be distributed in Arabic and English. The Arabic text shall take precedence in the event of any conflict between the Arabic and English versions of this Prospectus.

Although the CMA has approved this Prospectus, it may suspend this subscription offer if the Company, at any time after the adoption of this Prospectus by the CMA and before approving the listing of Shares in the market, becomes aware of (1) a significant change that has occurred in any of the key information contained in this Prospectus, or any of the documents required to be included under the Listing Rules, or (2) any additional issues that should have been included in this Prospectus. In these cases it is incumbent on the Company to submit to the CMA a supplementary Prospectus, according to the requirements of the Listing Rules. The supplementary Prospectus will therefore be published and an announcement made about applicable subscription dates. It is also possible that this subscription be suspended in the event of non-approval of the EGM on any of its details.

13-4 Trading of New Shares

Trading of the New Shares will take place upon completion of all relevant procedures. This is expected to take place after the allocation of New Shares, in coordination with the CMA, and will be announced at a later date.

13-5 The Saudi Arabian Stock Exchange ("Tadawul")

Tadawul was founded in 2001 as the successor to the Electronic Securities Information System. Electronic trading in securities commenced in the Kingdom in 1989G.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 a.m. and 3:30 p.m., from Sunday until Thursday of each week. After close of exchange trading, orders can be entered, amended or deleted from 10:00 a.m. until 11:00 a.m. New entries and inquiries can be made from 10:00 a.m. of the opening session (starting at 11:00 a.m.). These times are subject to change during the Holy month of Ramadan, and are announced by Tadawul's management.

Tadawul's system works on matching orders by price and orders are received and prioritized based on price. In general, market orders are executed first, and if several instructions are entered at the same price level, they are executed at a first come first serve basis according to their entry time.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Transactions are settled automatically on a T+0 bases, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

13-6 Registration on the Official List

An application has been made to the CMA to register and include the New Shares in the official Saudi stock market listing. The registration is expected to be approved and trading to commence on the Exchange once the final allocation of the New Shares has been concluded. An announcement will be made on the Tadawul website in due course. The dates and times stated in this Prospectus are only provisional and may be changed or extended at any time subject to approval of the CMA.

Although the Existing Shares are registered on the Official List, it will only be possible to trade in the New Shares once the allocation of the New Shares to successful Subscribers and Rump Offering Participants has been approved and these have been placed in their Tadawul accounts. It is absolutely forbidden to trade in the New Shares until the allocation has been approved. Subscribers who engage in any forward trading activity shall be acting at their own risk. The Company shall have no legal responsibility in such an event.

13-7 Resolutions and Approvals under which shares are offered

UCA has recently obtained SAMA's approval under letter Number 351000126033 dated 09/10/1435H corresponding to 05/08/2014 to increase its share capital by SAR 210 million through the Offering. Upon completion of the Offering the Company's share capital will be SAR 490 million comprising 49 million shares with nominal value of SR10 per share.

The Company's Board has issued its resolution dated 24/09/1435H (corresponding to 21/07/2014G) recommending increase of the Company's capital to meet its solvency requirements. The EGM held on 29/04/1436 H. (corresponding to 18/02/2015 G.) has approved the recommendation of the Board of Directors to increase the capital as mentioned and the subscription therein will be limited to shareholders registered at the end of the trading day of the EGM.

This Prospectus and all the supporting documents requested by the CMA have been approved as of the date of publishing this Prospectus on Tadawul website on 03/02/1436 H. (corresponding to 24/12/2014 G.).

13-8 Change in the share price as a result of the capital increase

The closing price of the Company's share on the day of the EGM was SAR 21.61 and will be reset to SAR 16.63 in the opening session the next day. The change represents a decrease of 23.04 %.

The method of calculating the share price as a result of the capital increase is as follows:

First: Calculate the market value of the Company at the close of trading on the day of the EGM:

Number of shares issue by the Company at the end of the day of the EGM multiplied by the closing price for the Company's share on the day of the EGM = market value of the Company at the close of trade on the day of the EGM.

Second: Calculate the price of share in the opening session on the day following the day the EGM (The market value of the Company at the close on the day of the EGM + the value of the offered shares) / (Number of shares issued by the Company at the end of the day the EGM + the number of New Shares offered in this Offering) = share price reset for the opening session on the day following the day the EGM.

14- Documents Available for Inspection

The following documents will be available for inspection at the Head Office of the Company in the city of Jeddah – Al-Rawda Street – Al-Mukmal Plaza, from 9 a.m. to 5:00 p.m., from Sunday to Thursday one week before the Offering Period and throughout the Offering Period:

- The Company's Commercial Registration Certificate
- The Company's By-laws
- Recommendation of the Board of Directors regarding capital increase
- CMA approval for the Offering
- Resolution of the EGM approving the increase in the Company's Capital
- Company's Audited Financial Statements for the financial years ended 31 December 2011G, 2012G and 2013G. The interim Financial Statements for the first six months of 2014
- Financial Advisor's written consent for the inclusion of his name and logo and any other statements made by him in the Prospectus
- Lead Manager and Underwriter written consent for the inclusion of their name and their logo and any other statements made by them in the Prospectus
- Legal Advisor's written consent for the inclusion of his name and logo and any other statements made by him in the Prospectus
- Actuary Advisor's written consent for the inclusion of his name and logo and any other statements made by him in the Prospectus
- Certified Auditor's written consent for the inclusion of his name and logo and any other statements made by him in the Prospectus
- SAMA's Approval to increase the capital
- Market Study
- All material contracts signed by the Company
- All contracts required to be disclosed under clause 5-E of Annex 4 of the Listing Rules (if any)
- All reports, valuations, feasibility study referred to in Prospectus to be made subject to inspection as per the requirements of the Listing Rules unless requirement is waived by CMA

UNITED COOPERATIVE ASSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

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

Deloitte.
Deloitte & Touche
Bakr Abulkhair & Co
Public Accountants
P.O. Box 442, Jeddah 21411

INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNITED COOPERATIVE ASSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of Review

We have reviewed the accompanying interim condensed statement of financial position of United Cooperative Assurance Company – a Saudi Joint Stock Company – ("the Company") as at 30 June 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations and comprehensive income for the three-month and six-month periods then ended and the related interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders operations' cash flows for the six-month period then ended and the related notes which form 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 the International Accounting Standard 34 ("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 person responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on 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 Standard on Interim Financial Reporting issued by SOCPA.

Allied Accountants
Al-Bassam & Al-Nemer CPAs

Abdul Mohsen M. Al Nemer
Certified Public Accountant
License No. 399

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
Certified Public Accountant
License No. 296

22 Ramadan 1435H
20 July 2014

Jeddah, Kingdom of Saudi Arabia

	Note	*30 June* *2014* *(Unaudited)* *SR'000*	*31 December* *2013* *(Audited)* *SR'000*
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	**41,547**	86,018
Available-for-sale-investments	4	**55,088**	54,858
Premiums receivable, net	5	**353,735**	411,024
Reinsurance' receivables, net		**48,953**	8,830
Reinsurers' share of unearned premiums		**237,747**	123,901
Reinsurers' share of outstanding claims		**83,835**	114,716
Deferred policy acquisition cost		**8,906**	7,117
Prepayments and other receivables		**129,035**	84,811
Due from shareholders' operations		**91,635**	86,610
Furniture, fittings and office equipment		**5,751**	6,849
Total insurance operations' assets		**1,056,232**	**984,734**
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	**61,201**	92,486
Available-for-sale-investments	4	**171,975**	165,017
Prepayments and other receivables		**2,002**	878
Goodwill	1	**78,400**	78,400
Statutory deposit	10	**28,000**	28,000
Total shareholders' assets		**341,578**	**364,781**
TOTAL ASSETS		**1,397,810**	**1,349,515**

The accompanying notes 1 to 14 form part of these interim condensed financial statements

	Note	*30 June* *2014* *(Unaudited)* *SR'000*	*31 December* *2013* *(Audited)* *SR'000*
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurers payables		153,590	190,992
Unearned commission income		29,257	25,437
Unearned premiums		532,040	375,450
Unexpired risk reserve		13,727	13,727
Catastrophe reserve		500	500
Outstanding claims		262,517	296,662
Payables to policy holders		12,893	29,425
Accrued and other payables		20,664	22,439
Employees' terminal benefits		9,797	9,085
Total insurance operations' liabilities		**1,034,985**	**963,717**
Insurance operations' surplus			
Accumulated surplus from insurance operations		21,258	21,258
Available-for-sale-investments reserve	4	(11)	(241)
Total insurance operations' liabilities and surplus		**1,056,232**	**984,734**
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,127	1,059
Due to financial institution	6	18,750	18,750
Due to a related party	13	270	270
Due to insurance operations		91,635	86,610
Accrued zakat and income tax	7	10,641	21,929
Total shareholders' liabilities		**122,423**	**128,618**
Shareholders' equity			
Share capital	8	280,000	280,000
Statutory reserve	9	31,944	31,944
Accumulated losses		(95,012)	(76,627)
Available-for-sale-investments reserve	4	**2,223**	**846**
Total shareholders' equity		**219,155**	**236,163**
Total shareholders' liabilities and equity		**341,578**	**364,781**
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		**1,397,810**	**1,349,515**

The accompanying notes 1 to 14 form part of these interim condensed financial statements

	Three-month period ended 30 June		*Six-month period ended 30 June*	
	2014	*2013*	***2014***	*2013*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	SR'000	*SR'000*	***SR'000***	*SR'000*
Revenues				
Gross premiums written	**192,810**	235,079	**580,483**	692,850
Less: Reinsurance premiums ceded	**(62,876)**	(83,176)	**(165,050)**	(166,933)
Excess of loss premiums	**(976)**	**(1,680)**	**(1,970)**	**(2,560)**
Net written premiums	**128,958**	150,223	**413,463**	523,357
Changes in net unearned premiums	**69,913**	**73,516**	**(42,744)**	**(106,367)**
Net premiums earned	**198,871**	223.739	**370,719**	416,990
Reinsurance commission earned	**9,912**	**15,055**	**19,224**	**22,292**
Net revenues	**208,783**	**238,794**	**389,943**	**439,282**
Cost and expenses				
Gross claims paid	**242,659**	246,828	**412,633**	417,276
Less: Reinsurers' share	**(58,217)**	**(22,004)**	**(63,015)**	**(26,202)**
Net claims paid	**184,442**	224,824	**349,618**	391,074
Changes in net outstanding claims	**17,330**	**(20,404)**	**(3,264)**	**(37,938)**
Net claims incurred	**201,772**	204,420	**346,354**	353,136
Policy acquisition cost	**4,488**	**7,816**	**8,885**	**13,144**
Net cost and expenses	**206,260**	**212,236**	**355,239**	**366,280**
Net result of insurance operations	**2,523**	26,558	**34,704**	73,002
General and administrative expenses	**(26,012)**	(25,259)	**(49,017)**	(52,282)
Supervision and inspection fee	**(942)**	(1,112)	**(2,823)**	(3,364)
CCHI fee	**(280)**	(310)	**(1,148)**	(890)
Release of doubtful debt provision	**6,218**	6,698	**-**	-
Investment income	**599**	**2,671**	**1,588**	**2,972**
(Deficit) / surplus from insurance operations	**(17,894)**	**9,246**	**(16,696)**	**19,438**
Shareholders' share of insurance operations	**(17,774)**	**8,321**	**(16,696)**	**17,494**
Surplus for the period	**(120)**	**925**	**-**	**1,944**
Accumulated surplus at the beginning of the period	**21,378**	**22,277**	**21,258**	**21,258**
Accumulated surplus at the end of the period	**21,258**	**23,202**	**21,258**	**23,202**

The accompanying notes 1 to 14 form part of these interim condensed financial statements

		Three-month period ended 30 June		*Six-month period ended 30 June*	
		2014	*2013*	***2014***	*2013*
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	Note				
		SR'000	*SR'000*	***SR'000***	*SR'000*
Revenues					
Shareholders' share of insurance operations (deficit) / surplus		(17,774)	8,321	(16,696)	17,494
Commission income		751	344	1,613	450
Investment income		-	8	-	8
Realised gain on available-for-sale investments		-	205	1,020	7,415
		(17,023)	8,878	(14,063)	25,367
EXPENSES					
General and administrative expenses		369	153	710	305
Board remunerations		295	275	612	518
Total expenses		664	428	1,322	823
NET (LOSS) / INCOME FOR THE PERIOD		(17,687)	8,450	(15,385)	24,544
Weighted average number of ordinary shares outstanding ('000)	11	28,000	28,000	28,000	28,000
(Loss) / earnings per share for the period – basic and diluted (SR)	11	(0.63)	0.30	(0.55)	0.88

The accompanying notes 1 to 14 form part of these interim condensed financial statements

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2014

	Three-month period ended 30 June		***Six-month period ended 30 June***	
	2014	*2013*	***2014***	*2013*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
	SR'000	*SR'000*	***SR'000***	*SR'000*
Net (loss) / income for the period	(17,687)	8,450	(15,385)	24,544
Other comprehensive income:				
Change in value of available-for-sale-investments	530	(456)	1,377	(262)
Other expenses:				
Zakat and income tax (note 7)	(1,500)	(1,890)	(3,000)	(3,780)
Total comprehensive (loss) / income for the period	(18,657)	6,104	(17,008)	20,502

The accompanying notes 1 to 14 form part of these interim condensed financial statements

For the six-month period ended 30 June 2014 – (Unaudited)

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	Accumulated losses	Stat-utory reserve	Available-for-sale investments reserve	Share capital	Accumulated losses	Statutory reserve	Available-for-sale investments reserve	Share capital	Accumulated losses	Statutory reserve	Available-for-sale investments reserve
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2013 – (audited)	274,400	(74,972)	31,306	829	5,600	(1,655)	638	17	280,000	(76,627)	31,944	846
Change in fair value of available-for-sale-invest-ments	-	-	-	1,349	-	-	-	28	-	-	-	1,377
Net loss for the period	-	(15,077)	-	-	-	(308)	-	-	-	(15,385)	-	-
Zakat and income tax for the period (note 7)	-	(3,000)	-	-	-	-	-	-	-	(3,000)	-	-
Balance as at 30 June 2014 – (unaudited)	274,400	(93,049)	31,306	2,178	5,600	(1,963)	638	45	280,000	(95,012)	31,944	2,223

For the six-month period ended 30 June 2013 – (Unaudited)

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	Retained earnings	Statutory reserve	Available-for-sale investments reserve	Share capital	Retained earnings	Statutory reserve	Available-for-sale investments reserve	Share capital	Retained earnings	Statutory reserve	Available-for-sale investments reserve
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2012 (audited)	196,000	86,262	31,306	225	4,000	1,515	638	5	200,000	87,777	31,944	230
Change in fair value of available-for-sale-in-vestments	-	-	-	(257)	-	-	-	(5)	-	-	-	(262)
Net income for the period	-	24,053	-	-	-	491	-	-	-	24,544	-	-
Bonus shares	78,400	(78,080)	-	-	1,600	(1,600)	-	-	80,000	(79,680)	-	-
Transaction cost – issuance of bonus shares	-	(139)	-	-	-	(3)	-	-	-	(142)	-	-
Zakat and income tax for the period	-	(3,720)	-	-	-	(60)	-	-	-	(3,780)	-	-
Balance as at 30 June 2013 - (unaudited)	274,400	28,376	31,306	(32)	5,600	343	638	-	280,000	28,719	31,944	(32)

The accompanying notes 1 to 14 form part of these interim condensed financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	Six-month period ended 30 June	
	2014	*2013*
	(Unaudited)	*(Unaudited)*
	SR'000	*SR'000*
Cash flows from operating activities:		
Surplus for the period from insurance operations	-	1,944
Adjustment for:		
Depreciation	1,846	2,129
Employees' terminal benefits	712	712
Realised gain on available for sale investments	-	(179)
Allowance for doubtful premiums receivables	1,558	418
	4,116	5,024
Changes in operating assets and liabilities:		
Premiums receivable, net	55,731	(101,113)
Reinsurance' receivables	(40,123)	9,631
Reinsurers' share of unearned premium	(113,846)	(59,001)
Reinsurers' share of outstanding claims	30,881	8,181
Deferred policy acquisition cost	(1,789)	(1,189)
Prepayments and other receivables	(44,224)	7,886
Due from shareholders' operations	(5,025)	-
Reinsurers payables	(37,402)	72,640
Unearned commission income	3,820	7,360
Unearned premiums	156,590	165,367
Outstanding claims	(34,145)	(46,118)
Payables to policy holders	(16,532)	16,495
Accrued and other payables	(1,775)	(230)
Due to shareholders' operations	-	(5,353)
Net cash flows (used in) / from operating activities	(43,723)	79,580
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment	(748)	(1,642)
Purchase of available-for-sale-investments	-	(76,221)
Time deposits	-	90,732
Proceeds from sale of available-for-sale-investments	-	14,612
Net cash flows (used in) / from investing activities	(748)	27,481
(Decrease) / Increase in cash and cash equivalents	(44,471)	107,061
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	86,018	34,132
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	41,547	141,193
Non-cash transactions		
Change in value of available-for-sale-investments	230	(60)
Transfer of held to maturity investments into AFS investments	-	1,573

The accompanying notes 1 to 14 form part of these interim condensed financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

	Six-month period ended 30 June	
	2014	*2013*
	(Unaudited)	*(Unaudited)*
	SR'000	*SR'000*
OPERATING ACTIVITIES		
Net (loss) / income for the period	(15,385)	24,544
Adjustment for:		
Realised gain on available-for-sale-investments	(1,020)	(7,415)
	(16,405)	17,129
Changes in operating assets and liabilities:		
Prepayments and other receivables	(1,124)	(250)
Due from insurance operations	-	5,353
Due to insurance operations	5,025	-
Accruals and other payables	68	(221)
Cash (used in) / from operations	(12,436)	22,011
Zakat and income tax paid	(14,288)	(5,772)
Net cash flows (used in) / from operating activities	(26,724)	16,239
INVESTING ACTIVITIES		
Time deposits	-	166,301
Purchase of available-for-sale-investments	(11,072)	(117,528)
Proceeds from sale of available-for-sale-investments	6,511	13,521
Net cash flows (used in) / from investing activities	(4,561)	62,294
FINANCING ACTIVITIES		
Transaction cost	-	(142)
Statutory deposit	-	(8,000)
Loan from financial institution	-	18,750
Net cash flows from financing activities	-	10,608
Net (decrease) / increase in cash and cash equivalents	(31,285)	89,141
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	92,486	32,314
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	61,201	121,455
Non-cash transactions		
Other receivables	-	320
Change in value of available-for-sale-investments	1,377	(262)

The accompanying notes 1 to 14 form part of these interim condensed financial statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

United Cooperative Assurance ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 6 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor) Al Rawdah Street, Khalediya District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

The Company entered into an agreement with UCA Insurance Bahrain BSC ('the seller') pursuant to which it acquired the sellers insurance operations in the Kingdom of Saudi Arabia, effective from 31 December 2008, at a goodwill amount of SR 78.40 million, as approved by the SAMA, along-with related insurance assets and liabilities of an equivalent amount (SR 656.95 million).

Further, goodwill of SR 78.40 million, as approved by SAMA, and a corresponding liability (payable to the Seller) had retrospectively recorded in financial statements. In accordance with the instructions of SAMA, the initial Instalment (50% of the portfolio price) was to be paid on 31 December 2009 and periodic payments are to be made till the end of 2015, subject to that the payment will not exceed 50% of the surplus available for distribution, after obtaining SAMA's approval before making any such payment. The Company got approval of SAMA on 18 Sha'ban 1432H corresponding to 19 July 2011, for the payment of goodwill for the years 2009 and 2010 amounting to SR 25.12 million and SR 28.32 million respectively. Accordingly, the Company decreased its liability with respect of goodwill by SR 53.44 million. The Company got approval of SAMA on 10 Jammad Al-Awwal 1433H corresponding to 02 April 2012 regarding the payment of remaining goodwill amounting to SR 24.962 million. Accordingly, the Company fully settled its liability with respect of goodwill of SR 24.962 million. The Company also paid fee on goodwill amounting to 5.1 million during the year ended 31 December 2012.

2. BASIS OF PREPARATION

Statement of Compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are consistent with those used for the preparation of annual financial statements.

These interim condensed financial statements for six-month period ended 30 June 2014 ("the period") should be read in conjunction with the Company's audited financial statements as at 31 December 2013. In the Company's Board of Directors 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. The Company's interim results may not be indicative of its annual results.

The Company follows a fiscal year ending 31 December.

The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities except for investments held to maturity are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

2. BASIS OF PREPARATION – (continued)

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

As per the bye-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	100%

New IFRS, IFRIC and amendments thereof, adopted by the Company

The accounting policies used in preparation of these interim condensed financial statements are consistent with those of the previous financial year and the adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on the interim condensed financial statements of the Company.

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard/ Interpretation	***Description***
IAS 1	Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRS 1	Amendments to IFRS 1 Government Loans
IFRS 7	Amendments IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 21	Levies

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

Standard/ Interpretation	***Description***	***Effective date***
IFRS 9	Financial Instruments – Classification & Measurement	To be announced
IFRS 11	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 19	Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 July 2014

The Company is currently assessing the implications of the above mentioned standards, amendments or interpretations on the Company's financial statements on adoption.

3. CASH AND CASH EQUIVALENTS

	30 June 2014	*31 December 2013*
	(Unaudited)	*(Audited)*
	SR'000	*SR'000*
Insurance operations		
Cash in hand and at banks	41,547	17,442
Short term deposit	-	68,576
	41,547	86,018
Shareholders' operations		
Cash in hand and at banks	61,201	955
Short term deposit	-	91,531
	61,201	92,486

Cash at banks are placed with counterparties who have good credit ratings.

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

4. AVAILABLE-FOR-SALE INVESTMENTS

Insurance operations

Available-for-sale-investments at local banks represent units in investment funds listed in Tadawul whereas the investment with foreign banks are listed in international stock exchanges. The unrealized loss of SR 0.011 million as at 30 June 2014 (31 December 2013: unrealized loss of SR 0.241 million) was credited to the surplus from insurance operations as available-for-sale-investment reserve.

Movement in available for sale investments has summarized below:

As at 30 June 2014 - Unaudited	**Balance at the beginning of the period**	**Movement during the period**	**Change in fair value for the period**	**Balance at the end of the period**
	SR'000	**SR'000**	**SR'000**	**SR'000**
Investment in bonds	54,858	-	230	55,088
	54,858	**-**	**230**	**55,088**

As at 31 December 2013 – Audited	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	*SR'000*	*SR'000*	*SR'000*
Investment in equity shares	843	(850)	7	-
Investment in bonds	1,596	53,527	(265)	54,858
	2,439	52,677	(258)	54,858

4. AVAILABLE-FOR-SALE INVESTMENTS – (continued)

Shareholders' operations

	30 June 2014	*31 December 2013*
	(Unaudited)	*(Audited)*
	SR'000	*SR'000*
Quoted securities	**51,445**	45,578
Unquoted securities	**120,530**	119,439
	171,975	165,017

i) Available for sale – quoted securities

As at 30 June 2014 – Unaudited	**Balance at the beginning of the period**	**Movement during the period**	**Change in fair value for the period**	**Balance at the end of the period**
	SR'000	**SR'000**	**SR'000**	**SR'000**
Investment in equities	-	5,580	(284)	5,296
Investment in bonds	45,578	-	571	46,149
	45,578	**5,580**	**287**	**51,445**

As at 31 December 2013 - Audited	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in equities	1,991	(2,020)	29	-
Investment in bonds	18,286	27,970	(678)	45,578
	20,277	25,950	(649)	45,578

ii) Available for sale – unquoted securities

As at 30 June 2014 – Unaudited	Balance at the beginning of the period	Movement during the period	Change in fair value for the period	Balance at the end of the period
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
Investment in bonds	60,000	-	-	60,000
Investment in murabaha deposit	57,516	-	1,091	58,607
	119,439	**-**	**1,091**	**120,530**

As at 31 December 2013 – Audited	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
Investment in bonds	-	60,000	-	60,000
Investment in murabaha deposit	-	56,250	1,266	57,516
	1,923	116,250	1,266	119,439

The unrealized gain of SR 1.377 million as at 30 June 2014 (30 June 2013: Unrealized loss SR 0.262 million) was charged to the statement of changes in shareholders' equity as available for sale investments reserve. The available-for-sale reserve as of 30 June 2014 is SR 2.223 million (31 December 2013: SR 0.846 million).

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

4. AVAILABLE-FOR-SALE INVESTMENTS – (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 30 June 2014 - unaudited

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Shareholders' operations	5,296	-	1,923	**7,219**
Debt securities:				
Insurance operations	15,088	40,000	-	**55,088**
Shareholders' operations	36,149	70,000	-	**106,149**
Deposit certificates:				
Shareholders' operations	-	58,607	-	**58,607**
	56,533	**168,607**	**1,923**	**227,063**

As at 31 December 2013 – audited

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Shareholders' operations	-	-	1,923	1,923
Debt securities:				
Insurance operations	14,858	40,000	-	54,858
Shareholders' operations	35,578	70,000	-	105,578
Deposit certificates:				
Shareholders' operations	-	57,516	-	57,516
	50,436	167,516	1,923	219,875

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 interim statement of shareholders' comprehensive income will be impacted.

5. PREMIUMS RECEIVABLE

	30 June 2014 (Unaudited) *SR'000*	31 December 2013 (Audited) *SR'000*
Due from policyholders	**227,525**	185,599
Due from policyholders - related parties	**147,546**	245,203
Allowance for doubtful premiums receivables	**(21,336)**	(19,778)
	353,735	411,024

Movement in allowance for doubtful premiums receivable is as follows:

	30 June 2014 (Unaudited) *SR'000*	31 December 2013 (Audited) *SR'000*
Balance at the beginning of the period / year	**19,778**	25,535
Provided during the period / year	**1,558**	-
Release of provision during the period / year	**-**	(5,753)
Utilization of provision during the period / year	**-**	(4)
Balance at the end of the period / year	**21,336**	19,778

6. DUE TO FINANCIAL INSTITUTION

During the year ended 31 December 2013, the Company obtained an overdraft facility of USD 5,000,000 from BSI, SA for the purpose of additional investment in BSI, SA Murabaha certificates. The overdraft is for the period of three (3) months and carries a commission rate of 3.35% P.A. on a rolling basis.

7. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

The movement in the Zakat and Income tax payable is as follows:

	30 June 2014	31 December 2013
	(Unaudited)	(Audited)
	SR'000	SR'000
Balance at the beginning of the period / year	21,929	21,819
Charge for the period / year	3,000	5,882
Paid during the period / year	(14,288)	(5,772)
Balance at the end of the period / year	10,641	21,929

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Status of assessment:

The Company has filed its zakat declarations for the years ended 31 December 2009 to 2013 and obtained restricted zakat certificates.

During 2013, the Company received the final zakat assessments for the years 2009 to 2011 from the Department of Zakat and Income Tax (DZIT) claiming zakat liability amounting to SR 17.69 million. The management believes that the existing provision for zakat is sufficient. The Management has filed an objection against the above assessments and is confident of receiving a favourable ruling. However, during the three-month period ended 31 March 2014, the Company has made payment amounting to SR 14.288 million with respect to these assessments.

8. SHARE CAPITAL

The authorised and issued share capital of the Company is SR 280 million divided into 28 million ordinary shares of SR 10 each.

During the three-month period ended 30 June 2014, the Board of directors has recommended an increase in the Company's capital through offering a rights issue with a total value of SR 140 million. The Company has obtained SAMA initial approval on 23 Jumaad Al Thani 1435H corresponding to 23 April 2014. Final approval from SAMA is subject to meet certain requirements and approval from other regulatory authorities.

9. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution.

10. STATUTORY DEPOSIT

	30 June 2014	*31 December 2013*
	(Unaudited)	*(Audited)*
	SR'000	*SR'000*
Shareholders' Operations		
Statutory deposit	**28,000**	28,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 28 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The Company cannot withdraw this deposit without SAMA's approval.

11. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

(Loss) / Earnings per share for the period have been calculated by dividing the net (loss) / income for the period by the weighted average number of issued and outstanding shares for the period.

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 administrative expenses and investment income.

Segment assets do not include insurance operations cash and cash equivalents, investments, premium receivables, reinsurance receivables, prepayments and other receivables, and furniture, fittings and office equipment, net.

Segment liabilities do not include reinsurance payables, payable to policy holders, accrued and other payables, due to shareholders' operations and employees' terminal benefits.

	Medical	Motor	Others	**Total**
	SR '000	SR '000	SR '000	**SR '000**
For the three-month period ended 30 June 2014 - unaudited				
Insurance operations				
Gross premiums written	27,993	93,150	71,667	**192,810**
Premiums ceded	-	(272)	(62,604)	**(62,876)**
Excess of loss premiums	(12)	(250)	(714)	**(976)**
Net premiums written	27,981	92,628	8,349	**128,958**
Change in net unearned premiums	13,254	54,921	1,738	**69,913**
Net premiums earned	41,235	147,549	10,087	**198,871**
Reinsurance commission earned	-	234	9,678	**9,912**
Net revenue	41,235	147,783	19,765	**208,783**
COSTS AND EXPENSES:				
Gross claim paid	21,366	159,944	61,349	**242,659**
Less: Reinsurance share	(1,113)	(9)	(57,095)	**(58,217)**
Net claims paid	20,253	159,935	4,254	**184,442**
Change in net outstanding claims	16,091	2,689	(1,450)	**17,330**
Net claims incurred	36,344	162,624	2,804	**201,772**
Policy acquisition cost	1,161	1,851	1,476	**4,488**
Net cost and expenses	37,505	164,475	4,280	**206,260**
Net underwriting results	**3,730**	**(16,692)**	**15,485**	**2,523**
Supervision and inspection fee	(140)	(458)	(344)	**(942)**
CCHI fees	(280)	-	-	**(280)**
Unallocated general and administrative expenses				**(26,012)**
Release of doubtful debt provision				**6,218**
Unallocated investment income				**599**
Deficit from insurance operations				**(17,894)**

12. SEGMENTAL INFORMATION – (continued)

	Medical	Motor	Others	**Total**
	SR '000	SR '000	SR '000	**SR '000**
For the six-month period ended 30 June 2014 - unaudited				
Insurance operations				
Gross premiums written	99,801	282,119	198,563	**580,483**
Premiums ceded	-	(424)	(164,626)	**(165,050)**
Excess of loss premiums	(213)	(500)	(1,257)	**(1,970)**
Net premiums written	99,588	281,195	32,680	**413,463**
Change in net unearned premiums	(23,033)	(11,352)	(8,359)	**(42,744)**
Net premiums earned	76,555	269,843	24,321	**370,719**
Reinsurance commission earned	-	423	18,801	**19,224**
Net revenue	76,555	270,266	43,122	**389,943**
COSTS AND EXPENSES:				
Gross claim paid	49,994	295,846	66,793	**412,633**
Less: Reinsurance share	(1,883)	(416)	(60,716)	**(63,015)**
Net claims paid	48,111	295,430	6,077	**349,618**
Change in net outstanding claims	17,198	(20,696)	234	**(3,264)**
Net claims incurred	65,309	274,734	6,311	**346,354**
Policy acquisition cost	2,305	3,306	3,274	**8,885**
Net cost and expenses	67,614	278,040	9,585	**355,239**
Net underwriting results	**8,941**	**(7,774)**	**33,537**	**34,704**
Supervision and inspection fee	(499)	(1,408)	(916)	**(2,823)**
CCHI fees	(1,148)	-	-	**(1,148)**
Unallocated general and administrative expenses				**(49,017)**
Unallocated investment income				**1,588**
Deficit from insurance operations				**(16,696)**
As at 30 June 2014 – unaudited				
Reinsurance share of unearned premiums	-	503	237,243	**237,746**
Reinsurance share of outstanding claims	1,408	2,281	80,147	**83,835**
Deferred acquisition cost	2,184	2,886	3,836	**8,906**
Unallocated assets				**725,745**
				1,056,232
Unearned commission income	132	180	28,945	**29,257**
Unearned Premiums	77,598	187,338	267,104	**532,040**
Unexpired risk reserve	5,726	8,001	-	**13,727**
Catastrophe reserve	-	-	500	**500**
Outstanding claims	71,287	96,504	94,726	**262,517**
Unallocated liabilities				**218,191**
				1,056,232

12. SEGMENTAL INFORMATION – (continued)

	Medical	Motor	Others	Total
	SR '000	SR '000	SR '000	SR '000
For the three-month period ended 30 June 2013 – Unaudited				
Insurance operations				
Gross premiums written	31,005	112,335	91,739	235,079
Premiums ceded	(3)	(3,832)	(79,341)	(83,176)
Excess of loss premiums	(955)	(163)	(562)	(1,680)
Net premiums written	30,047	108,340	11,836	150,223
Change in net unearned premiums	7,903	57,815	7,798	73,516
Net premiums earned	37,950	166,155	19,634	223,739
Reinsurance commission earned	1	475	14,579	15,055
Net revenue	37,951	166,630	34,213	238,794
COSTS AND EXPENSES:				
Gross claim paid	54,930	165,018	26,880	246,828
Less: Reinsurance share	(1,020)	(10)	(20,974)	(22,004)
Net claims paid	53,910	165,008	5,906	224,824
Change in net outstanding claims	(19,820)	(2,274)	1,690	(20,404)
Net claims incurred	34,090	162,734	7,596	204,420
Policy acquisition cost	997	4,248	2,571	7,816
Net cost and expenses	35,087	166,982	10,167	212,236
Net underwriting results	2,864	(352)	24,046	26,558
Supervision and inspection fee	(155)	(550)	(407)	(1,112)
CCHI fees	(310)	-	-	(310)
Release of doubtful debt provision				6,698
Unallocated expenses				(25,259)
Unallocated investment income				2,671
Surplus from insurance operations				9,246

12. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the six-month period ended 30 June 2013 - Unaudited				
Insurance operations				
Gross premiums written	88,673	406,077	198,100	692,850
Premiums ceded	(3)	(4,176)	(162,754)	(166,933)
Excess of loss premiums	(1,110)	(325)	(1,125)	(2,560)
Net premiums written	87,560	401,576	34,221	523,357
Change in net unearned premiums	(10,249)	(90,925)	(5,193)	(106,367)
Net premiums earned	77,311	310,651	29,028	416,990
Reinsurance commission received	1	575	21,716	22,292
Net revenue	77,312	311,226	50,744	439,282
COSTS AND EXPENSES:				
Gross claim paid	93,423	290,778	33,075	417,276
Less: Reinsurance share	(1,020)	(77)	(25,105)	(26,202)
Net claims paid	92,403	290,701	7,970	391,074
Change in net outstanding claims	(20,837)	(16,481)	(620)	(37,938)
Net claims incurred	71,566	274,220	7,350	353,136
Policy acquisition cost	2,578	6,638	3,928	13,144
Net cost and expenses	74,144	280,858	11,278	366,280
Net underwriting results	3,168	30,368	39,466	73,002
Supervision and inspection fee	(443)	(2,019)	(902)	(3,364)
CCHI fees	(890)	-	-	(890)
Unallocated general and administrative expenses				(52,282)
Release of doubtful debts				-
Unallocated investment income				2,972
Surplus from insurance operations				19,438
As at 31 December 2013 - Audited				
Reinsurance share of unearned premiums	-	1,476	122,425	123,901
Reinsurance share of outstanding claims	-	204	114,512	114,716
Deferred acquisition cost	878	3,026	3,213	7,117
Unallocated assets				739,000
				984,734
Unearned commission income	1	121	25,315	25,437
Unearned Premiums	54,565	176,958	143,927	375,450
Premium deficiency reserve	5,726	8,001	-	13,727
Catastrophe reserve	-	-	500	500
Outstanding claims	52,681	115,123	128,858	296,662
Unallocated liabilities				272,958
				984,734

13. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the period.

Related party	*Nature of transactions*	*Amount of transactions For the six-month period ended*		*Balance as of*	
		30 June 2014	*30 June 2013*	***30 June 2014***	*31 December 2013*
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Audited)*
		SR'000	*SR'000*	***SR'000***	*SR'000*
Insurance Operations					
Shareholders:					
Saudi Bin Laden – Group	Premium	**112,831**	154,676		
	Payments and claims	**(210,031)**	(169,827)	**137,825**	235,025
Rashed Al Rashed – Group	Premium	**9,846**	8,931		
	Payments and claims	**(9,598)**	(8,861)	**9,810**	9,562
Board member:					
Claim and risk services (CARS)	Claim handling fee	**(2,876)**	1,428		
	Payment made	**3,193**	(2,572)	**(513)**	(830)
Claim and risk services (CARS)	Premium	**602**	611		
	Payments and claims	**(1,009)**	(151)	**138**	545
Law Office of Hassan Mehassni	Premium	**367**	315		
	Payments and claims	**(152)**	(170)	**286**	71
Key management personnel	Remuneration and related expenses	**2,316**	2,152	**-**	-
Shareholders' Operations					
Najm for insurance services	Payment received	**-**	-	**(270)**	(270)
Board members	Board of directors remunerations	**612**	519	**-**	-

14. APPROVAL OF FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the board of directors on 17 July 2014 corresponding to 20 Ramadan 1435H.

UNITED COOPERATIVE ASSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

Al Bassam

Certified Public Accountants & Consultants

Deloitte.

INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF UNITED COOPERATIVE ASSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of Review

We have reviewed the accompanying interim condensed statement of financial position of United Cooperative Assurance Company – a Saudi Joint Stock Company – ("the Company") as at 31 March 2014, and the related interim statements of insurance operations and accumulated surplus, shareholders' operations, comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders operations' cash flows for the three-month period then ended and the related notes which form 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 the International Accounting Standard 34 ("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 person responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on 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 Standard on Interim Financial Reporting issued by SOCPA.

Al Bassam
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17 Jammad Al Thani 1435H
17 April 2014

Jeddah, Kingdom of Saudi Arabia

	Note	*31 March 2014*	*31 December 2013*
		(Unaudited)	*(Audited)*
		SR'000	*SR'000*
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	19,809	86,018
Available-for-sale-investments	4	54,973	54,858
Premiums receivable, net	5	537,809	411,024
Reinsurance' receivables, net		6,634	8,830
Reinsurers' share of unearned premiums		208,250	123,901
Reinsurers' share of outstanding claims		137,114	114,716
Deferred policy acquisition cost		10,474	7,117
Prepayments and other receivables		105,541	84,811
Due from shareholders' operations		85,658	86,610
Furniture, fittings and office equipment		6,422	6,849
Total insurance operations' assets		1,172,684	984,734
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	78,936	92,486
Available-for-sale-investments	4	165,864	165,017
Prepayments and other receivables		1,765	878
Goodwill	1	78,400	78,400
Statutory deposit	10	28,000	28,000
Total shareholders' assets		352,965	364,781
TOTAL ASSETS		1,525,649	1,349,515

The accompanying notes 1 to 14 form part of these financial statements

	Note	*31 March 2014* *(Unaudited)* *SR'000*	*31 December 2013* *(Audited)* *SR'000*
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurers payables		187,761	190,992
Unearned commission income		30,311	25,437
Unearned premiums		572,455	375,450
Unexpired risk reserve		13,727	13,727
Catastrophe reserve		500	500
Outstanding claims		298,469	296,662
Payables to policy holders		14,731	29,425
Accrued and other payables		24,394	22,439
Employees' terminal benefits		9,084	9,085
Total insurance operations' liabilities		1,151,432	963,717
Insurance operations' surplus			
Accumulated surplus from insurance operations		21,378	21,258
Available-for-sale-investments reserve	4	(126)	(241)
Total insurance operations' liabilities and surplus		1,172,684	984,734
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,337	1,059
Due to financial institution	6	18,750	18,750
Due to a related party	13	270	270
Due to insurance operations		85,658	86,610
Accrued zakat and income tax	7	9,141	21,929
Total shareholders' liabilities		115,156	128,618
Shareholders' equity			
Share capital	8	280,000	280,000
Statutory reserve	9	31,944	31,944
(Accumulated losses) / Retained earnings		(75,828)	(76,627)
Available-for-sale-investments reserve	4	1,693	846
Total shareholders' equity		237,809	236,163
Total shareholders' liabilities and equity		352,965	364,781
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,525,649	1,349,515

The accompanying notes 1 to 14 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Three-month period ended 31 March	
	2014	*2013*
	(Unaudited)	*(Unaudited)*
	SR'000	*SR'000*
Revenues		
Gross premiums written	387,673	457,771
Less: Reinsurance premiums ceded	(102,174)	(83,757)
Excess of loss premiums	(994)	(880)
Net written premiums	284,505	373,134
Changes in net unearned premiums	(112,657)	(179,883)
Net premiums earned	171,848	193,251
Reinsurance commission earned	9,312	7,237
Net revenues	181,160	200,488
Cost and expenses		
Gross claims paid	169,974	170,447
Less: Reinsurers' share	(4,798)	(4,197)
Net claims paid	165,176	166,250
Changes in net outstanding claims	(20,591)	(17,534)
Net claims incurred	144,585	148,716
Policy acquisition cost	4,397	5,328
Net cost and expenses	148,982	154,044
Net result of insurance operations	32,178	46,444
General and administrative expenses	(29,223)	(33,721)
Supervision and inspection fee	(1,881)	(2,252)
CCHI fee	(868)	(580)
Investment income	989	301
Surplus from insurance operations	1,195	10,192
Shareholders' share of insurance operations	1,075	9,173
Surplus for the period	120	1,019
Accumulated surplus at the beginning of the period	21,258	21,258
Accumulated surplus at the end of the period	21,378	22,277

The accompanying notes 1 to 14 form part of these financial statements

	Note	*Three-month period ended 31 March*	
		2014	*2013*
		(Unaudited)	*(Unaudited)*
		SR'000	*SR'000*
Revenues			
Shareholders' share of insurance operations surplus		1,075	9,173
Commission income		862	246
Realised gain on available-for-sale investments		1,020	7,071
		2,957	16,490
EXPENSES			
General and administrative expenses		341	152
Board remunerations		317	243
Total expenses		658	395
NET (LOSS) / INCOME FOR THE PERIOD		2,299	16,095
Weighted average number of ordinary shares outstanding ('000) - restated	11	28,000	28,000
(Loss) / earnings per share for the period – basic and diluted (SR) - restated	11	0.08	0.57

The accompanying notes 1 to 14 form part of these financial statements

INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Three-month period ended 31 March	
	2014	*2013*
	(Unaudited)	*(Unaudited)*
	SR'000	*SR'000*
Net income for the period	2,299	16,095
Other comprehensive income		
Change in value of available-for-sale-investments	847	194
Other expenses		
Zakat and income tax (note 7)	(1,500)	(1,890)
Total comprehensive income for the period	1,646	14,399

The accompanying notes 1 to 14 form part of these financial statements

(For the three-month period ended 31 March 2014 – (Unaudited

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	(Accumulated losses) / retained earnings	Statutory reserve	Change in fair value of available for sale investments	Share capital	(Accumulated losses) / retained earnings	Statutory reserve	Change in fair value of available for sale investments	Share capital	(Accumulated losses) / retained earnings	Statutory reserve	Change in fair value of available for sale investments
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2013 – (audited)	274,400	(74,972)	31,306	829	5,600	(1,655)	638	17	280,000	(76,627)	31,944	846
Change in fair value of available-for-sale-investments	-	-	-	830	-	-	-	17	-	-	-	847
Net income for the period	-	2,253	-	-	-	46	-	-	-	2,299	-	-
Zakat and income tax for the period (note 7)	-	(1,500)	-	-	-	-	-	-	-	(1,500)	-	-
Balance as at 31 March 2014 – (unaudited)	274,400	(74,219)	31,306	1,659	5,600	(1,609)	638	34	280,000	(75,828)	31,944	1,693

(For the three-month period ended 31 March 2013 – (Unaudited

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	Retained earnings	Statutory reserve	Change in fair value of available for sale investments	Share capital	Retained earnings	Statutory reserve	Change in fair value of available for sale investments	Share capital	Retained earnings	Statutory reserve	Change in fair value of available for sale investments
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2012 – (audited)	196,000	86,262	31,306	225	4,000	1,515	638	5	200,000	87,777	31,944	230
Change in fair value of available-for-sale-investments	-	-	-	190	-	-	-	4	-	-	-	194
Net income for the period	-	15,773	-	-	-	322	-	-	-	16,095	-	-
Zakat and income tax for the period	-	(1,860)	-	-	-	(30)	-	-	-	(1,890)	-	-
Balance as at 31 March 2013 - (unaudited)	196,000	100,175	31,306	415	4,000	1,807	638	9	200,000	101,982	31,944	424

The accompanying notes 1 to 14 form part of these financial statements

INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Three-month period ended 31 March	
	2014	*2013*
	(Unaudited)	*(Unaudited)*
	SR'000	*SR'000*
Cash flows from operating activities:		
Surplus for the period from insurance operations	120	1,019
Adjustment for:		
Depreciation	860	982
Employees' terminal benefits	(1)	285
Provision for doubtful debts	7,429	7,116
	8,408	9,402
Changes in operating assets and liabilities:		
Premiums receivable	(134,231)	(200,766)
Reinsurance' receivables	2,213	11,726
Reinsurers' share of unearned premium	(84,349)	(41,293)
Reinsurers' share of outstanding claims	(22,398)	14,462
Deferred policy acquisition cost	(3,357)	(2,990)
Prepayments and other receivables	(20,730)	(22,676)
Due from shareholders' operations	952	-
Reinsurers payables	(3,231)	58,444
Unearned commission income	4,874	3,072
Unearned premiums	197,005	221,175
Outstanding claims	1,807	(31,995)
Payables to policy holders	(14,694)	(1,407)
Accrued and other payables	1,955	2,065
Due to shareholders' operations	-	7,070
Net cash flows (used in) / from operating activities	(65,776)	26,289
INVESTING ACTIVITIES		
Purchase of furniture, fittings and office equipment	(433)	(902)
Purchase of available-for-sale-investments	-	(1,200)
Time deposits	-	28,146
Net cash flows (used in) / from investing activities	(433)	26,044
(Decrease) / Increase in cash and cash equivalents	(66,209)	52,333
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	86,018	34,132
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19,809	86,465
Non-cash transactions		
Change in fair value of available-for-sale-investments	115	68

The accompanying notes 1 to 14 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Three-month period ended 31 March	
	2014	*2013*
	(Unaudited)	*(Unaudited)*
	SR'000	*SR'000*
OPERATING ACTIVITIES		
Net income for the period	2,299	16,095
Adjustment for:		
Realised gain on available-for-sale-investments	(1,020)	(7,071)
	1,279	9,024
Changes in operating assets and liabilities:		
Prepayments and other receivables	(887)	(537)
Due to insurance operations	(952)	(7,070)
Accruals and other payables	278	(256)
Cash from operations	(282)	1,161
Zakat and income tax paid	(14,288)	(1,883)
Net cash flows used in operating activities	(14,570)	(722)
INVESTING ACTIVITIES		
Time deposits	-	162,907
Purchase of available-for-sale-investments	(5,491)	(5,287)
Proceeds from sale of available-for-sale-investments	6,511	9,962
Net cash flows from investing activities	1,020	167,582
Net (decrease) / increase in cash and cash equivalents	(13,550)	166,860
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	92,486	32,314
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	78,936	199,174
Non-cash transactions		
Change in fair value of available-for-sale-investments	847	194

The accompanying notes 1 to 14 form part of these financial statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

United Cooperative Assurance ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 6 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor) Al Rawdah Street, Khalediya District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

The Company entered into an agreement with UCA Insurance Bahrain BSC ('the seller') pursuant to which it acquired the sellers insurance operations in the Kingdom of Saudi Arabia, effective from 31 December 2008, at a goodwill amount of SR 78.40 million, as approved by the SAMA, along-with related insurance assets and liabilities of an equivalent amount (SR 656.95 million).

Further, goodwill of SR 78.40 million, as approved by SAMA, and a corresponding liability (payable to the Seller) had retrospectively recorded in financial statements. In accordance with the instructions of SAMA, the initial Instalment (50% of the portfolio price) was to be paid on 31 December 2009 and periodic payments are to be made till the end of 2015, subject to that the payment will not exceed 50% of the surplus available for distribution, after obtaining SAMA's approval before making any such payment. The Company got approval of SAMA on 18 Sha'ban 1432H corresponding to 19 July 2011, for the payment of goodwill for the years 2009 and 2010 amounting to SR 25.12 million and SR 28.32 million respectively. Accordingly, the Company decreased its liability with respect of goodwill by SR 53.44 million. The Company got approval of SAMA on 10 Jammad Al-Awwal 1433H corresponding to 02 April 2012 regarding the payment of remaining goodwill amounting to SR 24.962 million. Accordingly, the Company fully settled its liability with respect of goodwill of SR 24.962 million. The Company also paid fee on goodwill amounting to 5.1 million during the year ended 31 December 2012.

2. BASIS OF PREPARATION

Statement of Compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The accounting policies adopted by the Company for the preparation of these interim condensed financial statements are consistent with those used for the preparation of annual financial statements.

These interim condensed financial statements for three-month period ended 31 March 2014 ("the period") should be read in conjunction with the Company's audited financial statements as at 31 December 2013. In the Company's Board of Directors 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. The Company's interim results may not be indicative of its annual results.

The Company follows a fiscal year ending 31 December.

The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

The preparation of interim condensed financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

The Company presents its interim statement of financial position broadly in order of liquidity. All financial assets and liabilities except for investments held to maturity are expected to be recovered and settled respectively, within twelve months after the interim reporting date.

2. BASIS OF PREPARATION – (continued)

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

As per the bye-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	100%

New IFRS, IFRIC and amendments thereof, adopted by the Company

The accounting policies used in preparation of these interim condensed financial statements are consistent with those of the previous financial year and the adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on the interim condensed financial statements of the Company.

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard/ Interpretation	*Description*
IFRS 1	Amendment to IFRS 1 – Government loans
IFRS 7	Amendment to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements: Investments in Associates & Joint ventures
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair value Measurement
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
IAS 1	Presentation of Financial Statements
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investment in Associates and Joint Ventures
IAS 32	Amendment to IAS 32 Tax effects of distributions to holders of equity instruments
IAS 34	Amendment to IAS 34 Interim financial reporting and segment information for total assets and liabilities
IAS 36	Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these interim condensed financial statements.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

Standard/ Interpretation	Description	Effective date
IFRS 9	Financial Instruments – Classification & Measurement	1 January 2018
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 19	Defined Benefit Plans – Employee Contributions	1 July 2014

The Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements.

3. CASH AND CASH EQUIVALENTS

	31 March 2014	*31 December 2013*
	(Unaudited)	*(Audited)*
	SR'000	*SR'000*
Insurance operations		
Cash in hand and at banks	19,809	17,442
Short term deposit	-	68,576
	19,809	86,018
Shareholders' operations		
Cash in hand and at banks	48,914	955
Short term deposit	30,022	91,531
	78,936	92,486

Cash at banks are placed with counterparties who have good credit ratings.

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

4. AVAILABLE-FOR-SALE-INVESTMENTS

Insurance operations

Available-for-sale-investments at local banks represent units in investment funds listed in Tadawul whereas the investment with foreign banks are listed in international stock exchanges. The unrealized loss of SR 0.126 million as at 31 March 2014 (31 December 2013: unrealized loss of SR 0.241 million) was credited to the surplus from insurance operations as available-for-sale-investment reserve.

Movement in available-for-sale-investments has summarized below:

As at 31 March 2014 - Unaudited	**Balance at the beginning of the period**	**Movement during the period**	**Change in fair value for the period**	**Balance at the end of the period**
	SR'000	**SR'000**	**SR'000**	**SR'000**
Investment in bonds	54,858	-	115	54,973
	54,858	**-**	**115**	**54,973**

As at 31 December 2013 – Audited	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	*SR'000*	*SR'000*	*SR'000*
Investment in equity shares	843	(850)	7	-
Investment in bonds	1,596	53,527	(265)	54,858
	2,439	52,677	(258)	54,858

4. AVAILABLE FOR SALE INVESTMENTS – (continued)

Shareholders' operations

	March 31 2014	*December 2013 31*
	(Unaudited)	*(Audited)*
	SR'000	*SR'000*
Quoted securities	45,902	45,578
Unquoted securities	119,962	119,439
	165,864	165,017

i) Available for sale – quoted securities

As at 31 March 2014 – Unaudited	Balance at the beginning of the period	Movement during the period	Change in fair value for the period	Balance at the end of the period
	SR'000	**SR'000**	**SR'000**	**SR'000**
Investment in bonds	45,578	-	324	45,902
	45,578	**-**	**324**	**45,902**

As at 31 December 2013 - Audited	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in equities	1,991	(2,020)	29	-
Investment in bonds	18,286	27,970	(678)	45,578
	20,277	25,950	(649)	45,578

ii) Available for sale – unquoted securities

As at 31 March 2014 – Unaudited	Balance at the beginning of the period	Movement during the period	Change in fair value for the period	Balance at the end of the period
	SR'000	**SR'000**	**SR'000**	**SR'000**
Investment in local company	1,923	-	-	1,923
Investment in bonds	60,000	-	-	60,000
Investment in murabaha deposit	57,516	-	523	58,039
	119,439	**-**	**523**	**119,962**

As at 31 December 2013 – Audited	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
Investment in bonds	-	60,000	-	60,000
Investment in murabaha deposit	-	56,250	1,266	57,516
	1,923	116,250	1,266	119,439

The unrealized gain of SR 0.847 million as at 31 March 2014 (31 December 2013: Unrealized gain SR 0.616 million) was charged to the statement of changes in shareholders' equity as available for sale investments reserve. The available-for-sale reserve as of 31 March 2014 is SR 1.69 million (31 December 2013: SR 0.846 million).

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

4. AVAILABLE FOR SALE INVESTMENTS – (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 March 2014 - unaudited

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Shareholders' operations	-	-	1,923	1,923
Debt securities:				
Insurance operations	14,973	40,000	-	54,973
Shareholders' operations	35,902	70,000	-	105,902
Deposit certificates:				
Shareholders' operations	-	58,039	-	58,039
	50,875	168,039	1,923	220,837

As at 31 December 2013 - audited

	Level 1	Level 2	Level 3	Total
Available-for-sale-Investments				
Equity securities:				
Shareholders' operations	-	-	1,923	1,923
Debt securities:				
Insurance operations	14,858	40,000	-	54,858
Shareholders' operations	35,578	70,000	-	105,578
Deposit certificates:				
Shareholders' operations	-	57,516	-	57,516
	50,436	167,516	1,923	219,875

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 interim statement of shareholders' comprehensive income will be impacted.

5. PREMIUMS RECEIVABLE

	31 March 2014 (Unaudited) *SR'000*	31 December 2013 (Audited) *SR'000*
Due from policyholders	333,476	185,599
Due from policyholders - related parties	231,557	245,203
Doubtful debt provision	(27,224)	(19,778)
	537,809	411,024

Movement in provision for doubtful debts is as follows:

	31 March 2014 (Unaudited) *SR'000*	31 December 2013 (Audited) *SR'000*
Balance at the beginning of the period/year	19,778	25,535
Provided during the period/year	7,446	-
Release of provision during the period/year	-	(5,753)
Utilisation during the period/year	-	(4)
Balance at the end of the period/year	27,224	19,778

6. DUE TO FINANCIAL INSTITUTION

During the year ended 31 December 2013, the Company obtained an overdraft facility of USD 5,000,000 from BSI, SA for the purpose of additional investment in BSI, SA Murabaha certificates. The overdraft is for the period of three (3) months and carries a commission rate of 3.35% P.A. on a rolling basis.

7. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

The movement in the Zakat and Income tax payable is as follows:

	31 March 2014	31 December 2013
	(Unaudited)	(Audited)
	SR'000	SR'000
Balance at the beginning of the *period* / year	21,929	21,819
Charge for the period/year	1,500	5,882
Paid during the period/year	(14,288)	(5,772)
Balance at the end of the period/year	9,141	21,929

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Status of assessment:

The Company has filed its zakat declarations for the years ended 31 December 2009 to 2012 and obtained restricted zakat certificates.

During 2013, the Company received the final zakat assessments for the years 2009 to 2011 from the Department of Zakat and Income Tax (DZIT) claiming zakat liability amounting to SR 17.69 million. The management believes that the existing provision for zakat is presently sufficient. The Management has filed an objection against the above assessments and is confident of receiving a favourable ruling. However, during the three-month period ended 31 March 2014, the Company has made payment amounting to SR 14.288 million with respect to these assessments.

8. SHARE CAPITAL

The initial authorised and issued share capital of the Company was SR 200 million divided into 20 million ordinary shares of SR 10 each.

In the extra-ordinary general meeting held on 26 June 2013, the shareholders approved bonus share of 2 shares for every 5 shares. The bonus shares issue are appropriation of the Company's retained earnings. As approved by the regulators, 8 million ordinary shares were issued. In 8 million shares, 7.968 million shares issued to the existing shareholders and remaining fraction shares of 0.032 million were sold in the market during the period ended 30 September 2013 at market price. The proceeds from the sale of fraction shares have been distributed to the existing shareholders. The legal formalities have been completed and the share capital has been increased from SR 200 million to SR 280 million.

9. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution.

10. STATUTORY DEPOSIT

	31 March 2014	*31 December 2013*
	(Unaudited)	*(Audited)*
	SR'000	*SR'000*
Shareholders' Operations		
Statutory deposit	28,000	28,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 28 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The Company cannot withdraw this deposit without SAMA's approval.

11. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the period by the weighted average number of issued and outstanding shares for the period.

a. The weighted average number of shares has been retrospectively adjusted for prior period to reflect the bonus share issue as required by IAS 33 "Earnings per share" as follows:

	Three-month period ended 31 March 2014	*Three-month period ended 31 March 2013*
	(Unaudited)	*(Unaudited)*
Issued ordinary shares as at 1 January ('000')	20,000	20,000
Effect of bonus issue of shares ('000')	8,000	8,000
Weighted average number of ordinary shares ('000')	28,000	28,000

b. The basic and diluted earnings per share is calculated as follows:

	Three-month period ended 31 Mar 2014	*Three-month period ended 31 Mar 2013*
	(Unaudited)	*(Unaudited)*
Net income for the period (SR '000')	2,299	16,095
Weighted average number of ordinary shares ('000')-(Note 11. a)	28,000	28,000
Basic and diluted earnings per share (SR) – restated	0.08	0.57

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 administrative expenses and investment income.

Segment assets do not include insurance operations cash and cash equivalents, investments, premium receivables, reinsurance receivables, prepayments and other receivables, and furniture, fittings and office equipment.

Segment liabilities do not include reinsurance payables, payable to policy holders, accrued and other payables, due to shareholders' operations and employees' terminal benefits.

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the three-month period ended 31 March 2014 - unaudited				
Insurance operations				
Gross premiums written	71,808	188,969	126,896	387,673
Premiums ceded	(1)	(153)	(102,020)	(102,174)
Excess of loss premiums	(200)	(250)	(544)	(994)
Net premiums written	71,607	188,566	24,332	284,505
Change in net unearned premiums	(36,287)	(66,273)	(10,097)	(112,657)
Net premiums earned	35,320	122,293	14,235	171,848
Reinsurance commission earned	-	189	9,123	9,312
Net revenue	35,320	122,482	23,358	181,160
COSTS AND EXPENSES:				
Gross claim paid	28,629	135,902	5,443	169,974
Less: Reinsurance share	(770)	(407)	(3,621)	(4,798)
Net claims paid	27,859	135,495	1,822	165,176
Change in net outstanding claims	1,107	(23,385)	1,687	(20,591)
Net claims incurred	28,966	112,110	3,509	144,585
Policy acquisition cost	1,144	1,455	1,798	4,397
Net cost and expenses	30,110	113,565	5,307	148,982
Net underwriting results	5,210	8,917	18,051	32,178
Supervision and inspection fee	(359)	(950)	(572)	(1,881)
CCHI fees	(868)	-	-	(868)
Unallocated general and administrative expenses				(29,223)
Unallocated investment income				989
Surplus from insurance operations				1,195
As at 31 March 2014 – unaudited				
Reinsurance share of unearned premiums	5	406	207,839	208,250
Reinsurance share of outstanding claims	2,250	980	133,884	137,114
Deferred acquisition cost	2,925	3,164	4,385	10,474
Unallocated assets				816,846
				1,172,684
Unearned commission income	1	304	30,006	30,311
Unearned premiums	90,857	242,162	239,436	572,455
Premium deficiency reserve	5,726	8,001	-	13,727
Catastrophe reserve	-	-	500	500
Outstanding claims	56,038	92,513	149,918	298,469
Unallocated liabilities				257,222
				1,172,684

12. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the three-month period ended 31 March 2013 - unaudited				
Insurance operations				
Gross premiums written	57,668	293,742	106,361	457,771
Premiums ceded	-	(345)	(83,412)	(83,757)
Excess of loss premiums	(155)	(163)	(562)	(880)
Net premiums written	57,513	293,234	22,387	373,134
Change in net unearned premiums	(18,152)	(148,740)	(12,991)	(179,883)
Net premiums earned	39,361	144,494	9,396	193,251
Reinsurance commission received	1	100	7,136	7,237
Net revenue	39,362	144,594	16,532	200,488
COSTS AND EXPENSES:				
Gross claim paid	38,494	125,760	6,193	170,447
Less: Reinsurance share	-	(67)	(4,130)	(4,197)
Net claims paid	38,494	125,693	2,063	166,250
Change in net outstanding claims	(1,017)	(14,208)	(2,309)	(17,534)
Net claims incurred	37,477	111,485	(246)	148,716
Policy acquisition cost	1,582	2,390	1,356	5,328
Net cost and expenses	39,059	113,875	1,110	154,044
Net underwriting results	303	30,719	15,422	46,444
Supervision and inspection fee	(288)	(1,469)	(495)	(2,252)
CCHI fees	(580)	-	-	(580)
Unallocated general and administrative expenses				(33,721)
Unallocated investment income				301
Surplus from insurance operations				10,192
As at 31 December 2013 - audited				
Reinsurance share of unearned premiums	-	1,476	122,425	123,901
Reinsurance share of outstanding claims	-	204	114,512	114,716
Deferred acquisition cost	878	3,026	3,213	7,117
Unallocated assets				739,000
				984,734
Unearned commission income	1	121	25,315	25,437
Unearned premiums	54,565	176,958	143,927	375,450
Premium deficiency reserve	5,726	8,001	-	13,727
Catastrophe reserve	-	-	500	500
Outstanding claims	52,681	115,123	128,858	296,662
Unallocated liabilities				272,958
				984,734

13. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the period.

Related party	*Nature of transactions*	*Amount of transactions For the three-month period ended*		*Balance as of*	
		31 March 2014	*31March 2013*	*31 March 2014*	*31 December 2013*
		(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Audited)*
		SR'000	*SR'000*	*SR'000*	*SR'000*
Insurance Operations					
Shareholders:					
Saudi Bin Laden – Group	Premium	77,425	20,415		
	Payments and claims	(92,367)	(6,749)	220,083	235,025
Rashed Al Rashed – Group	Premium	7,189	7,130		
	Payments and claims	(5,715)	(3,729)	11,036	9,562
Board member:					
Claim and risk services (CARS)	Claim handling fee	(3,314)	3,158		
	Payment made	3,455	(2,268)	(689)	(830)
Claim and risk services (CARS)	Premium	654	604		
	Payments and claims	(767)	(153)	432	545
Law Office of Hassan Mehassni	Premium	5	4		
	Payments and claims	(70)	(69)	6	71
Key management personnel	Remuneration and related expenses	1,149	1,076	-	-
Shareholders' Operations					
Najm for insurance services	Payment received	-	-	(270)	(270)
Board members	Board of directors remunerations	317	243	(277)	-

14. APPROVAL OF FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the board of directors on XXX April 2014 correspon

UNITED COOPERATIVE ASSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Al Bassam

Certified Public Accountants & Consultants

Deloitte.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of United Cooperative Assurance Company – A Saudi Joint Stock Company ('the Company') as at 31 December 2013 and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, statement of insurance operations cash flows and statement of shareholders' operations cash flows for the year then ended and the notes 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 statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

EMPHASIS OF MATTER

We draw attention to note 2 to the accompanying financial statements that these financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

Al Bassam
Certified Public Accountants & Consultants

Ibrahim A. Al Bassam
Registration No. 337

الباسام
محاسبون قانونيون واستشاريون
ترخيص رقم (٣٣٧)
License No.(337)
Al-Bassam CPAs & Consultants

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296

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

25 Rabi Al-Thani 1435H
25 February 2014
Jeddah, Kingdom of Saudi Arabia

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013	2012
		SR'000	SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	86,018	34,132
Time deposits		-	90,732
Available-for-sale investments	6	54,858	2,439
Premiums receivable, net	7	411,024	281,115
Reinsurance receivables, net	8	8,830	20,043
Reinsurers' share of unearned premiums	13	123,901	91,375
Reinsurers' share of outstanding claims	15	114,716	75,189
Deferred policy acquisition cost	9	7,117	9,133
Prepayments and other receivables	10	84,811	86,788
Due from shareholders' operations		86,610	-
Furniture, fittings and office equipment	11	6,849	8,743
Total insurance operations' assets		984,734	699,689
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	92,486	32,314
Time deposits		-	166,301
Available-for-sale investments	6	165,017	22,201
Prepayments and other receivables		878	205
Amount due from a related party	25	-	230
Due from insurance operations		-	22,847
Goodwill	1	78,400	78,400
Statutory deposit	21	28,000	20,000
Total shareholders' assets		364,781	342,498
TOTAL ASSETS		1,349,515	1,042,187

The accompanying notes 1 to 28 form part of these financial statements

	Note	*2013*	*2012*
		SR'000	*SR'000*
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurance payables		190,992	56,672
Unearned commission income	12	25,437	16,665
Unearned premiums	13	375,450	336,380
Premium deficiency reserve	14	13,727	1,421
Catastrophe reserve		500	-
Outstanding claims	15	296,662	188,689
Payables to policy holders		29,425	21,028
Accrued and other payables	16	22,439	27,399
Due to shareholders' operations		-	22,847
Employees' terminal benefits		9,085	7,313
Total insurance operations' liabilities		963,717	678,414
Insurance operations' surplus			
Accumulated surplus from insurance operations		21,258	21,258
Available-for-sale investments reserve	6	(241)	17
Total insurance operations' liabilities and surplus		984,734	699,689
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		1,059	728
Due to financial institution	17	18,750	-
Due to a related party	25	270	-
Due to insurance operations		86,610	-
Accrued zakat and income tax	18	21,929	21,819
Total shareholders' liabilities		128,618	22,547
Shareholders' equity			
Share capital	19	280,000	200,000
Statutory reserve	20	31,944	31,944
(Accumulated losses) / Retained earnings		(76,627)	87,777
Available-for-sale investments reserve	6	846	230
Total shareholders' equity		236,163	319,951
Total shareholders' liabilities and equity		364,781	342,498
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,349,515	1,042,187

The accompanying notes 1 to 28 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	*2013*	*2012*
		SR'000	*SR'000*
Revenues			
Gross premiums written		1,292,975	1,024,070
Less: Reinsurance premiums ceded		(413,749)	(281,965)
Excess of loss premiums		(5,959)	(5,148)
Net written premiums		873,267	736,957
Changes in net unearned premiums	13	(6,544)	74,402
Net premiums earned		866,723	811,359
Reinsurance commission received	12	47,361	38,850
Net revenues		914,084	850,209
Cost and expenses			
Gross claims paid	15	865,472	848,348
Less: Reinsurers' share	15	(64,710)	(116,193)
Net claims paid		800,762	732,155
Changes in net outstanding claims		68,446	(22,973)
Net claims incurred	15	869,208	709,182
Policy acquisition cost	9	23,951	22,607
Premium deficiency reserve	14	12,306	140
Catastrophe reserve		500	-
Net cost and expenses		905,965	731,929
Net result of insurance operations		8,119	118,280
General and administrative expenses	23	(99,613)	(93,912)
Supervision and inspection fee		(4,423)	(5,002)
CCHI fee		(983)	(2,356)
Investment income		4,718	6,171
Release of doubtful debts provision		5,450	2,204
(Deficit) / surplus from insurance operations		(86,732)	25,385
Shareholders' share of insurance operations deficit / (surplus)		86,732	(22,847)
Surplus for the year		-	2,538
Accumulated surplus at the beginning of the year		21,258	18,720
Accumulated surplus at the end of the year		21,258	21,258

The accompanying notes 1 to 28 form part of these financial statements

	Note	*2013* *SR'000*	*2012* *SR'000*
Revenues			
Shareholders' share of insurance operations (deficit) / surplus		(86,732)	22,847
Commission income		3,237	4,880
Investment income		8	240
Realised gain on investments		7,750	4,429
		(75,737)	32,396
EXPENSES			
General and administrative expenses	23	1,503	1,106
Board remunerations	25	1,016	1,154
Total expenses		2,519	2,260
NET (LOSS) / INCOME FOR THE YEAR		(78,256)	30,136
Weighted average number of ordinary shares outstanding ('000) - restated	22	28,000	28,000
(Loss) / earnings per share for the year – basic and diluted (SR) – restated	22	(2.80)	1.08

The accompanying notes 1 to 28 form part of these financial statements

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	*2012*
	SR'000	*SR'000*
Net (loss) / income for the year	(78,256)	30,136
Other comprehensive income		
Change in fair value of available-for-sale investments (note 6)	616	(175)
Other expenses		
Zakat and income tax (note 18)	(5,882)	(7,560)
Total comprehensive (loss) / income for the year	(83,522)	22,401

The accompanying notes 1 to 28 form part of these financial statements

For the year ended 31 December 2013

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	(Accumulated losses) / Retained earnings	Statutory reserve	Change in fair value of available-for-sale investments	Share capital	(Accumulated losses) / Retained earnings	Statutory reserve	Change in fair value of available-for-sale investments	Share capital	(Accumulated losses) / Retained earnings	Statutory reserve	Change in fair value of available-for-sale investments
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2012	196,000	86,262	31,306	225	4,000	1,515	638	5	200,000	87,777	31,944	230
Change in fair value of available-for-sale investments (note 6)	-	-	-	604	-	-	-	12	-	-	-	616
Net loss for the year	-	(76,691)	-	-	-	(1,565)	-	-	-	(78,256)	-	-
Bonus shares (note 19)	78,400	(78,400)	-	-	1,600	(1,600)	-	-	80,000	(80,000)	-	-
Transaction cost – issuance of bonus share	-	(261)	-	-	-	(5)	-	-	-	(266)	-	-
Zakat and income tax for the year (note 18)	-	(5,882)	-	-	-	-	-	-	-	(5,882)	-	-
Balance as at 31 December 2013	274,400	(74,972)	31,306	829	5,600	(1,655)	638	17	280,000	(76,627)	31,944	846

The accompanying notes 1 to 28 form part of these financial statements

For the year ended 31 December 2012

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	Retained earnings	Statutory reserve	Change in fair value of available-for-sale investments	Share capital	Retained earnings	Statutory reserve	Change in fair value of available-for-sale investments	Share capital	Retained earnings	Statutory reserve	Change in fair value of available-for-sale investments
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2011	196,000	88,193	26,881	397	4,000	1,523	548	8	200,000	89,716	27,429	405
Change in fair value of available-for-sale investments	-	-	-	(172)	-	-	-	(3)	-	-	-	(175)
Net income for the year	-	29,533	-	-	-	603	-	-	-	30,136	-	-
Transferred to statutory reserve		(4,425)	4,425	-	-	(90)	90	-	-	(4,515)	4,515	-
Dividend	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Zakat and income tax for the year	-	(7,439)	-	-	-	(121)	-	-	-	(7,560)	-	-
Balance as at 31 December 2012	196,000	86,262	31,306	225	4,000	1,515	638	5	200,000	87,777	31,944	230

The accompanying notes 1 to 28 form part of these financial statements

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	*2012*
	SR'000	*SR'000*
Cash flows from operating activities:		
Surplus for the year from insurance operations	-	2,538
Adjustment for:		
Depreciation	4,532	4,158
Employees' terminal benefits	1,772	2,318
Realised gain on held to maturity investments	-	(1,302)
Realised gain on available-for-sale investments	(555)	(1,385)
Release of provision for doubtful debts	(5,450)	(2,204)
	299	4,123
Changes in operating assets and liabilities:		
Premiums receivable	(124,152)	101,375
Reinsurance receivables	10,910	(10,431)
Reinsurers' share of unearned premiums	(32,526)	(7,925)
Reinsurers' share of outstanding claims	(39,527)	46,536
Deferred policy acquisition cost	2,016	329
Prepayments and other receivables	1,975	(26,625)
Due from shareholders' operations	(86,610)	-
Reinsurance payables	134,320	(49,425)
Unearned commission income	8,772	1,584
Unearned premiums	39,070	(66,476)
Premium deficiency reserve	12,306	140
Catastrophe reserve	500	-
Outstanding claims	107,973	(69,509)
Payables to policy holders	8,397	11,141
Accrued and other payables	(4,960)	(25,302)
Due to shareholders' operations	(22,847)	(24,861)
Net cash flows from / (used in) operating activities	15,916	(115,326)
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,638)	(4,359)
Purchase of available-for-sale investments	(125,981)	(419)
Purchase of held to maturity investments	-	(21,775)
Time deposits	90,732	(90,732)
Proceeds from sale of available-for-sale investments	73,857	28,970
Proceeds from sale of held to maturity investments	-	26,865
Net cash flows from / (used in) investing activities	35,970	(61,450)
Increase / (decrease) in cash and cash equivalents	51,886	(176,776)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	34,132	210,908
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	86,018	34,132
Non-cash transactions		
Change in fair value of available-for-sale investments	258	18
Transfer of held to maturity investment into available-for-sale investments	-	1,573

The accompanying notes 1 to 28 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	*2012*
	SR'000	*SR'000*
OPERATING ACTIVITIES		
Net (loss) / income for the year	(78,256)	30,136
Adjustment for:		
Realised gain on held to maturity investments	-	(1,702)
Realised gain on available-for-sale investments	(7,750)	(2,728)
	(86,006)	25,706
Changes in operating assets and liabilities:		
Prepayments and other receivables	(673)	(100)
Due from insurance operations	22,847	24,861
Amount due to a related party in respect of goodwill	-	(24,962)
Due to / from a related party	500	-
Due to insurance operations	86,610	-
Accruals and other payables	331	(4,812)
Cash from operations	23,609	20,693
Zakat and income tax paid	(5,772)	(2,829)
Net cash flows from operating activities	17,837	17,864
INVESTING ACTIVITIES		
Time deposits	166,301	(166,301)
Purchase of available-for-sale-investments	(206,044)	(2,119)
Purchase of held to maturity investments	-	(35,129)
Proceeds from sale of available-for-sale investments	71,594	17,949
Proceeds from sale of held to maturity investments	-	38,270
Net cash flows from / (used in) investing activities	31,851	(147,330)
FINANCING ACTIVITIES		
Dividends paid	-	(20,000)
Transaction cost	(266)	-
Statutory deposit	(8,000)	-
Due to financial institution	18,750	-
Net cash flows from / (used in) financing activities	10,484	(20,000)
Increase / (decrease) in cash and cash equivalents	60,172	(149,466)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	32,314	181,780
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	92,486	32,314
Non-cash transactions		
Transfer of held to maturity investment into available-for-sale investments	-	18,028
Change in fair value of available-for-sale investments	616	(175)

The accompanying notes 1 to 28 form part of these financial statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

United Cooperative Assurance ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 6 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor) Al Rawdah Street, Khalediya District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

The Company entered into an agreement with UCA Insurance Bahrain BSC ('the seller') pursuant to which it acquired the sellers insurance operations in the Kingdom of Saudi Arabia, effective from 31 December 2008, at a goodwill amount of SR 78.40 million, as approved by the SAMA, along-with related insurance assets and liabilities of an equivalent amount (SR 656.95 million).

Further, goodwill of SR 78.40 million, as approved by SAMA, and a corresponding liability (payable to the Seller) had retrospectively recorded in financial statements. In accordance with the instructions of SAMA, the initial Instalment (50% of the portfolio price) was to be paid on 31 December 2009 and periodic payments are to be made till the end of 2015, subject to that the payment will not exceed 50% of the surplus available for distribution, after obtaining SAMA's approval before making any such payment. The Company got approval of SAMA on 18 Sha'ban 1432H corresponding to 19 July 2011, for the payment of goodwill for the years 2009 and 2010 amounting to SR 25.12 million and SR 28.32 million respectively. Accordingly, the Company decreased its liability with respect of goodwill by SR 53.44 million. The Company got approval of SAMA on 10 Jammad Al-Awwal 1433H corresponding to 02 April 2012 regarding the payment of remaining goodwill amounting to SR 24.962 million. Accordingly, the Company fully settled its liability with respect of goodwill of SR 24.962 million. The Company also paid fee on goodwill amounting to 5.1 million during the year ended 31 December 2012.

2. BASIS OF PREPARATION

Basis of measurement

The financial statements are prepared under the historical cost convention except measurement of available-for-sale investments which are measured at fair value.

Statement of compliance

The Company has prepared these financial statements in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, 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.

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	100%

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statement values are presented in Saudi Riyals, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Insurance contracts

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

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 year.

Insurance contracts are principally divided into marine, property, motor, engineering and accident and liability and are principally short term insurance contracts.

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

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Reinsurance

In the ordinary course of business, the Company cedes insurance premiums and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to reinsurers, net of commission income which represents income earned from reinsurance companies, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Reinsurance – (continued)

The Company assesses its reinsurance assets, if any, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the statement of insurance operations and accumulated surplus. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets.

Impairment and uncollectibility of financial assets

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

- for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;

- for financial assets at fair value, the impairment loss is based on the decline in fair value; and

- for assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

Significant financial difficulty of the issuer or debtor;

- A breach of contract, such as a default or delinquency in payments;

- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

- The disappearance of an active market for that financial asset because of financial difficulties; or

- 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.

Impairment of non-financial assets

Assets that have an indefinite useful life 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).

Deferred policy acquisition costs

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

(a) Available-for-sale investments

Available-for-sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available-for-sale investments are recognized in the statement of shareholders' comprehensive operations.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders' operations as impairment charges.

Fair values of investments are based on quoted prices for marketable securities. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

(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' operations or statement of insurance operations and accumulated surplus when the investment is derecognized or impaired.

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and short term deposits with an original maturity of less than three months at the date of acquisition.

Goodwill

Purchase price paid in excess of fair value of net assets is considered as goodwill. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future periods.

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 and accumulated surplus on a straight line basis based on the following estimated useful lives:

	Years
Motor vehicles	4
Furniture and fittings	4 – 10
Computers and office equipment	4 – 10
Leasehold improvements	10

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of shareholders' operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions for obligations

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

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

Foreign currency translation

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

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

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

Insurance and other receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations and accumulated surplus. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Subsequent recoveries, of amounts previously written off are credited in the statement of insurance operations and accumulated surplus. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.

End-of-service benefits

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

Revenue recognition

Recognition of premiums and commission revenue

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition – (continued)

Recognition of premiums and commission revenue – (continued)

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

- At last three month of premiums for marine cargo business as marine cargo policies cover variable periods shorter than one year, in order to spread the premiums earned over the tenure of the insurance policies.
- Engineering business premiums are calculated using the new method as communicated by the regulator assuming that the premiums are earned linearly over time.
- Actual number of days for other lines of business

Commission income

Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Claims

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

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

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Salvage and subrogation reimbursements

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

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

De-recognition of financial instruments

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of insurance operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Zakat and income tax

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Unearned commission income

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

Fair values of financial instruments

Financial instruments comprise cash and cash equivalents, premiums receivable, reinsurance receivables, investments, outstanding claims, reinsurance payables and certain other assets and liabilities.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of all other financial instruments are estimated using methods such as net present values of future cash flows.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. For an unquoted equity investment, fair value is determined by reference to the market value of a similar investment or based on the expected discounted cash flows.

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.

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 accumulated surplus and statement of shareholders operations unless required or permitted by any accounting standard or interpretation.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 organized into business units based on their products and services and has three reportable operating segments as follows:

- Medical insurance, which covers medical costs, medicines, and all other medical services and supplies.
- Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.
- Other classes, which covers any other classes of insurance not included above.

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

New IFRS, IFRIC and amendments thereof, adopted by the Company

The accounting policies used in preparation of these financial statements are consistent with those of the previous financial year and the adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on the financial statements of the Company.

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard/ Interpretation	Description
IFRS 1	Amendment to IFRS 1 – Government loans
IFRS 7	Amendment to IFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements: Investments in Associates & Joint ventures
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair value Measurement
IAS 1	Presentation of Financial Statements
IAS 19	Revision to IAS 19 Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investment in Associates and Joint Ventures
IAS 32	Amendment to IAS 32 Tax effects of distributions to holders of equity instruments
IAS 34	Amendment to IAS 34 Interim financial reporting and segment information for total assets and liabilities

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

Standard/ Interpretation	Description	Effective date
IFRS 9	Financial Instruments – Classification & Measurement	To be announced
IFRS 10, IFRS 12 & IFRS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014
IAS 19	Defined Benefit Plans – Employee Contributions	1 July 2014
IAS 32	Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39	Amendments to IAS 39 Novation of Derivatives and continuation of Hedge accounting	1 January 2014
IFRIC 21	Levies	1 January 2014

The Company is currently assessing the implications of the above mentioned standards, amendments or interpretations on the Company's financial statements on adoption.

Adoption of the relevant standards and interpretations applicable to the Company would result in some additional disclosures and changes in certain classifications in the financial statements. However, the Company does not expect any significant impact on its financial position or performance from such adoption.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, 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.

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 date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

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

Premium deficiency reserve

Estimation of the premium deficiency reserve is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary looks at the claims and premiums relationship which is expected to apply on month to month basis. Based on actuary's suggestion, the management has used different possibilities for projecting the expected trends in loss ratio. The key assumption used by the management is that past claims pattern are stable and will continue in future.

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 acquisition costs

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

Reinsurance

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 of available-for-sale investments

The Company determines that available-for-sale investments 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.

5. CASH AND CASH EQUIVALENTS

	2013	2012
	SR'000	SR'000
Insurance operations		
Cash at banks	17,442	34,132
Short term deposits	68,576	-
	86,018	34,132
Shareholders' operations		
Cash in hand and at banks	955	32,314
Short term deposits	91,531	-
	92,486	32,314

Cash at banks are placed with counterparties who have good credit ratings.

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

6. AVAILABLE-FOR-SALE INVESTMENTS

Insurance operations

Available-for-sale-investments at local banks represent units in investment funds listed in Tadawul whereas the investments with foreign banks are listed in international stock exchanges. The unrealized loss of SR 0.241 million as at 31 December 2013 (31 December 2012: unrealized gain of SR 0.017 million) was credited to the surplus from insurance operations as available-for-sale-investment reserve.

Movement in available for sale investments have summarized below:

As at 31 December 2013	Balance at the beginning of the year	Movement during the year	Transfer from held to maturity investments	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000	SR'000
Investments in equity shares	843	(850)	-	7	-
Investments in bonds	1,596	53,527	-	(265)	54,858
	2,439	52,677	-	(258)	54,858

As at 31 December 2012	Balance at the beginning of the year	Movement during the year	Transfer from held to maturity investments (note 6.1)	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000	SR'000
Investments in equity shares	8,398	(7,165)	-	(390)	843
Investments in mutual funds	20,077	(20,077)	-	-	-
Investments in bonds	-	-	1,572	24	1,596
	28,475	(27,242)	1,572	(366)	2,439

6. AVAILABLE-FOR-SALE INVESTMENTS – (continued)

Shareholders' operations

	2013	2012
	SR'000	SR'000
Quoted securities	45,578	20,278
Unquoted securities	119,439	1,923
	165,017	22,201

Available-for-sale – quoted securities

As at 31 December 2013	Balance at the beginning of the year	Movement during the year	Transfer from held to maturity investments	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000	SR'000
Investment in equities	1,991	(2,020)	-	28	-
Investment in bonds	18,286	27,970	-	(678)	45,578
	20,278	25,950	-	(650)	45,578

As at 31 December 2012	Balance at the beginning of the year	Movement during the year	Transfer from held to maturity investments (note 6.1)	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000	SR'000
Investment in equities	15,527	(13,103)	-	(433)	1,991
Investment in bonds	-	-	18,028	258	18,286
	15,527	(13,103)	18,028	(175)	20,278

Available-for-sale – unquoted securities

As at 31 December 2013	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
Investment in bonds	-	60,000	-	60,000
Investment in murabaha deposits	-	56,250	1,266	57,516
	1,923	116,250	1,266	119,439

As at 31 December 2012	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
	1,923	-	-	1,923

The unrealized gain of SR 0.616 million as at 31 December 2013 (31 December 2012: Loss SR 0.175 million) was charged to the statement of changes in shareholders' equity as available-for-sale investments reserve. The available-for-sale reserve as of 31 December 2013 is SR 0.846 million (31 December 2012: SR 0.23 million).

During the year ended 31 December 2012, the company had sold few held to maturity investments before the maturity dates. Hence, the held to maturity investment become tainted and Company had reclassified all of its held to maturity portfolio into available for sale investment.

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

7. PREMIUMS RECEIVABLE

	2013 SR'000	2012 SR'000
Due from policyholders	185,599	134,594
Due from policyholders - related parties	245,203	172,056
Doubtful debt provision	(19,778)	(25,535)
	411,024	281,115

Movement in provision for doubtful debts is as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	25,535	26,970
Release of provision during the year	(5,753)	(1,435)
Utilisation during the year	(4)	-
Balance at the end of the year	19,778	25,535

		Past due but not impaired		
31 December 2013	Less than 90 days	91 to 180 days	More than 180 days	Total
Amount in SR '000				
Premiums receivable	125,082	30,903	29,614	185,599
Premiums receivable – related parties	237,933	7,209	61	245,203
Provision for doubtful debts	-	(5,717)	(14,061)	(19,778)
Premiums receivable, net	363,015	32,395	15,614	411,024

		Past due but not impaired		
31 December 2012	Less than 90 days	91 to 180 days	More than 180 days	Total
Amount in SR '000				
Premiums receivable	81,428	14,240	38,926	134,594
Premiums receivable – related parties	129,078	42,978	-	172,056
Provision for doubtful debts	-	(8,583)	(16,952)	(25,535)
Premiums receivable, net	210,506	48,635	21,974	281,115

Past due but not impaired premiums receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority is, therefore, unsecured. In respect of premiums receivable, the five largest customer balances accounted for approximately 74.49% of this balance as at 31 December 2013 (31 December 2012: 71.63%). Premiums receivable comprise a large number of customers and insurance companies mainly within the Kingdom of Saudi Arabia.

8. REINSURANCE RECEIVABLES, NET

	2013 SR'000	2012 SR'000
Reinsurance receivables	11,529	22,439
Doubtful debt provision	(2,699)	(2,396)
	8,830	20,043

Movement in provision for doubtful debts is as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	2,396	3,165
Provided during the year	303	-
Release during the year	-	(769)
Balance at the end of the year	2,699	2,396

		Past due but not impaired		
31 December 2013	Less than 90 days	91 to 180 days	More than 180 days	Total
Amount in SR '000				
Reinsurance receivables	6,788	548	4,193	11,529
Provision for doubtful debts	-	-	(2,699)	(2,699)
Reinsurance receivables, net	6,788	548	1,494	8,830

		Past due but not impaired		
31 December 2012	Less than 90 days	91 to 180 days	More than 180 days	Total
	Amount in SR '000			
Reinsurance receivables	13,207	1,665	7,567	22,439
Provision for doubtful debts	-	-	(2,396)	(2,396)
Reinsurance receivables, net	13,207	1,665	5,171	20,043

Past due but not impaired reinsurance 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 is, therefore, unsecured.

9. DEFERRED POLICY ACQUISITION COST

	2013 SR'000	2012 SR'000
As at 1 January	9,133	9,462
Cost incurred during the year	21,935	22,278
Charge for the year	(23,951)	(22,607)
As at 31 December	7,117	9,133

10. PREPAYMENTS AND OTHER RECEIVABLES

	2013 SR'000	2012 SR'000
Deferred third party administrator (TPA) fee	2,336	2,096
Prepaid expenses	4,451	4,512
Accrued interest	342	7
Advances to hospitals	51,519	54,642
Others	26,163	25,531
	84,811	86,788

11. PROPERTY AND EQUIPMENT

Insurance Operations

	Motor Vehicles	Furniture & fittings	Computers & office equipment	Leasehold Improvements	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:					
At the beginning of the year	232	6,594	6,739	3,492	17,057
Additions	-	830	1,185	623	2,638
Closing balance	232	7,424	7,924	4,115	19,695
Depreciation:					
At the beginning of the year	90	2,875	3,834	1,515	8,314
Charge for the year	57	1,664	1,535	1,276	4,532
Closing balance	147	4,539	5,369	2,791	12,846
Net book value:					
At 31 December 2013	85	2,885	2,555	1,324	6,849
At 31 December 2012	142	3,719	2,905	1,977	8,743

12. UNEARNED COMMISSION INCOME

	2013 SR'000	2012 SR'000
As at 1 January	16,665	15,081
Commission received during the year	56,133	40,434
Commission earned during the year	(47,361)	(38,850)
As at 31 December	25,437	16,665

13. MOVEMENT IN UNEARNED PREMIUM

	2013 SR'000	2012 SR'000
Gross unearned premium as at 1 January	336,380	402,857
Gross unearned premium as at 31 December	(375,450)	(336,380)
Movement in unearned premium	(39,070)	66,477
Reinsurers' share of unearned premium as at 1 January	(91,375)	(83,450)
Reinsurers' share of unearned premium as at 31 December	123,901	91,375
Movement in reinsurance share of unearned premiums	32,526	7,925
Movement in unearned premiums, net	(6,544)	74,402

14. PREMIUM DEFICIENCY RESERVE

During the year, the Company has created following reserves in respect of premium deficiency for its motor and medical class of business. The Company created these provisions based on the assumption that the premiums for these classes will not be sufficient to provide for the expected claims and other attributable expenses related to the unexpired periods of the policies in force at the balance sheet date. Class wise breakdown of premium deficiency reserve as follows:

	2013 SR'000	2012 SR'000
Motor	8,001	-
Medical	5,726	-
Engineering	-	1,421
	13,727	1,421

Movements in premium deficiency reserve is as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	1,421	1,281
Provided during the year	12,306	140
Balance at the end of the year	13,727	1,421

15. CLAIMS

	2013 SR'000	2012 SR'000
Gross claims paid	865,472	848,348
Gross outstanding claims at the end of the year (see note (i) below)	296,662	188,689
	1,162,134	1,037,037
Gross outstanding claims at the beginning of the year	(188,689)	(258,198)
Gross claims incurred	973,445	778,839
Reinsurance recoveries	(64,710)	(116,193)
Reinsurers' share of outstanding claims at the end of the year (see note (ii) below)	(114,716)	(75,189)
	(179,426)	(191,382)
Reinsurers' share of outstanding claims at the beginning of the year	75,189	121,725
Reinsurers' share of claims	(104,237)	(69,657)
Net claims incurred	869,208	709,182

Gross outstanding claims as at 31 December 2013 include provision for claims incurred but not reported (IBNR) amounting to SR 126.963 million (2012: 77.013 million).

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

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.

31 December 2013

Accident year	2009 & earlier	2010	2011	2012	2013	Total
			SR'000			
Estimate of ultimate claims cost:						
At the end of accident year	591,580	613,595	723,478	795,389	915,814	
One year later	557,418	560,074	625,231	826,300	-	
Two years later	565,555	545,650	680,641	-	-	
Three years later	554,840	554,506	-	-	-	
Four years later	553,727	-	-	-	-	
Current estimate of cumulative claims	553,727	554,506	680,641	826,300	915,814	3,530,988
Cumulative payments to date	(551,222)	(552,875)	(674,146)	(799,073)	(657,010)	(3,234,326)
Liability recognised in statement of financial position	2,505	1,631	6,495	27,227	258,804	296,662

15. CLAIMS – (continued)

CLAIMS DEVELOPMENT TABLE – (continued)

31 December 2012

Accident year	2009 & earlier	2010	2011	2012	Total
			SR'000		
Estimate of ultimate claims cost:					
At the end of accident year	591,580	613,595	723,478	795,389	
One year later	557,418	560,074	625,231	-	
Two years later	565,555	545,650	-	-	
Three years later	557,075	-	-	-	
Four years later	-	-	-	-	
Current estimate of cumulative claims	557,075	545,650	625,231	795,389	2,523,345
Cumulative payments to date	(549,367)	(539,010)	(610,530)	(635,749)	(2,334,656)
Liability recognised in statement of financial position	7,708	6,640	14,701	159,640	188,689

16. ACCRUALS AND OTHER PAYABLES

	2013	2012
	SR'000	SR'000
Insurance Operations		
Accrued expenses	144	543
Garages	1,042	2,246
Third party administrator (TPA) fees	830	-
Insurance brokers	1,834	1,164
Surveyor	3,058	591
Commission and incentives payable	1,985	5,764
CCHI fees payable	1,557	2,306
Supervision and inspection fee payable	1,717	1,048
Withholding tax payable	6,368	9,748
Others	3,904	3,989
	22,439	27,399

17. DUE TO FINANCIAL INSTITUTION

During the year, the Company obtained an overdraft facility of USD 5,000,000 from BSI, SA for the purpose of additional investment in BSI, SA Murabaha certificates. The overdraft is for the period of three (3) months and carries a commission rate of 1.67% P.A. on a rolling basis.

18. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and Income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

The Zakat and Income tax provision for the year is based on the following:	2013 SR'000	2012 SR'000
Equity	200,000	200,000
Statutory deposit	(20,000)	(20,000)
Statutory reserves	31,944	27,429
Profit of previous years	87,777	89,716
Dividends paid	-	(20,000)
End of services benefits	7,313	4,995
Zakat provision	21,819	-
Furniture, fittings and office equipment, net	(6,849)	(8,743)
	322,004	273,397
(Loss) / profit for the year	(78,256)	30,136
Provision for doubtful debts	(5,450)	(2,204)
End of services benefits	1,772	2,318
Zakat base	240,070	303,647
Attributable to Saudi Shareholders @ 98%	235,269	297,574
Zakat @ 2.5%	5,882	7,439
Income tax		
Attributable to Non Saudi Shareholder @ 2%	-	605
Income tax @ 20%	-	121
Zakat and income tax	5,882	7,560

The movement in the Zakat and Income tax payable is as follows:

	2013 SR'000	2012 SR'000
Balance at the beginning of the year	21,819	17,088
Charge for the year	5,882	7,560
Paid during the year	(5,772)	(2,829)
Balance at the end of the year	21,929	21,819

As the Company has losses during the year, no provision has been provided for income tax.

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Status of assessment:

The Company has filed its zakat declarations for the years ended 31 December 2009 to 2012 and obtained restricted zakat certificates.

During the year ended 31 December 2013, the Company received the final zakat assessments for the years ended 31 December 2009 to 2011 from the Department of Zakat and Income Tax (DZIT) claiming zakat liability amounting to SR 17.69 million. The management believes that the existing provision for zakat is presently sufficient. The Management has filed an objection against the above assessments and is confident of receiving a favourable ruling.

19. SHARE CAPITAL

The initial authorised and issued share capital of the Company was SR 200 million divided into 20 million ordinary shares of SR 10 each.

In the extra-ordinary general meeting held on 26 June 2013, the shareholders approved bonus share of 2 shares for every 5 shares. The bonus shares issue are appropriation of the Company's retained earnings. As approved by the regulators, 8 million ordinary shares were issued. In 8 million shares, 7.968 million shares issued to the existing shareholders and remaining fraction shares of 0.032 million were sold in the market during the period ended 30 September 2013 at market price. The proceeds from the sale of fraction shares have been distributed to the existing shareholders. The legal formalities have been completed and the share capital has been increased from SR 200 million to SR 280 million.

20. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution. As the Company has accumulated losses, as at year end, no transfer to statutory reserve has been made during the year.

21. STATUTORY DEPOSIT

	2013 SR'000	2012 SR'000
Shareholders' Operations		
Statutory deposit	28,000	20,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 28 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The company cannot withdraw this deposit without SAMA approval.

22. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

(Loss) / Earnings per share for the year have been calculated by dividing the net (loss) / income for the year by the weighted average number of issued and outstanding shares for the year.

The weighted average number of shares has been retrospectively adjusted for prior reporting period to reflect the bonus share issue as required by IAS 33 "Earnings per share" as follows:

	2013	2012
Issued ordinary shares as at 1 January ('000)	20,000	20,000
Effect of bonus issue of shares ('000)	8,000	8,000
Weighted average number of ordinary shares ('000')	28,000	28,000

The basic and diluted (loss) / earnings per share is calculated as follows:

	2013	2012
Net (loss) / income for the year (SR'000)	(78,256)	30,136
Weighted average number of ordinary shares ('000)-(Note 22. a)	28,000	28,000
Basic and diluted (loss) / earnings per share (SR) – restated	(2.80)	1.08

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2013 SR'000	2012 SR'000
Insurance operations		
Employee costs	69,885	63,442
Legal and professional fees	1,066	1,007
Office rent	9,681	10,084
Depreciation	4,532	4,158
Office expenses	2,526	2,178
Communication expenses	4,824	4,116
Vehicle expenses	106	132
Withholding tax	1,500	1,600
Printing & stationery	1,740	1,957
Courier and postage	528	478
Electricity	267	282
Other	2,958	4,478
	99,613	93,912

Shareholders operations

	2013 SR'000	2012 SR'000
Professional fees	628	400
Others	875	706
	1,503	1,106

24. SEGMENTAL INFORMATION

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

Segment results do not include general and administrative expenses, release of doubtful debt and investment income.

Segment assets do not include insurance operations' cash and cash equivalents, time deposit, available-for-sale investments, premium receivables, reinsurance receivables, prepayments and other receivables, furniture, fittings and office equipment, net and due from insurance operations.

Segment liabilities do not include reinsurance payables, payable to policy holders, accrued and other payables, due to shareholders' operations and employees' terminal benefits.

24. SEGMENTAL INFORMATION – (continued)

	Medical SR'000	Motor SR'000	Others SR'000	Total SR'000
For the year ended 31 December 2013				
Insurance operations				
Gross premiums written	153,080	673,171	466,724	1,292,975
Premiums ceded	(8)	(4,498)	(409,243)	(413,749)
Excess of loss premiums	(2,048)	(1,162)	(2,749)	(5,959)
Net premiums written	151,024	667,511	54,732	873,267
Change in net unearned premiums	10,065	(8,260)	(8,349)	(6,544)
Net premiums earned	161,089	659,251	46,383	866,723
Reinsurance commission earned	3	1,022	46,336	47,361
Net revenue	161,092	660,273	92,719	914,084
COSTS AND EXPENSES:				
Gross claim paid	168,507	620,355	76,610	865,472
Less: Reinsurance share	(1,891)	(522)	(62,297)	(64,710)
Net claims paid	166,616	619,833	14,313	800,762
Change in net outstanding claims	24,007	40,305	4,134	68,446
Net claims incurred	190,623	660,138	18,447	869,208
Premium deficiency reserve	5,726	8,001	(1,421)	12,306
Catastrophe reserve	-	-	500	500
Policy acquisition cost	4,184	12,822	6,945	23,951
Net cost and expenses	200,533	680,961	24,471	905,965
Net underwriting results	(39,441)	(20,688)	68,248	8,119
Supervision and inspection fee	(490)	(2,479)	(1,454)	(4,423)
CCHI fees	(983)	-	-	(983)
Unallocated general and administrative expenses				(99,613)
Release of doubtful debt provision				5,450
Unallocated investment income				4,718
Deficit from insurance operations				(86,732)
As at 31 December 2013				
Reinsurance share of unearned premiums	-	1,476	122,425	123,901
Reinsurance share of outstanding claims	-	204	114,512	114,716
Deferred acquisition cost	878	3,026	3,213	7,117
Unallocated assets				739,000
				984,734
Unearned commission income	1	121	25,315	25,437
Unearned premiums	54,565	176,958	143,927	375,450
Premium deficiency reserve	5,726	8,001	-	13,727
Catastrophe reserve	-	-	500	500
Outstanding claims	52,681	115,123	128,858	296,662
Unallocated liabilities				272,958
				984,734

24. SEGMENTAL INFORMATION – (continued)

	Medical SR'000	Motor SR'000	Others SR'000	Total SR'000
For the year ended 31 December 2012				
Insurance operations				
Gross premiums written	222,692	477,640	323,738	1,024,070
Premiums ceded	-	(5,084)	(276,881)	(281,965)
Excess of loss premiums	(1,548)	(1,139)	(2,461)	(5,148)
Net premiums written	221,144	471,417	44,396	736,957
Change in net unearned premiums	47,102	28,349	(1,049)	74,402
Net premiums earned	268,246	499,766	43,347	811,359
Reinsurance commission received	18	706	38,126	38,850
Net revenue	268,264	500,472	81,473	850,209
COSTS AND EXPENSES:				
Gross claim paid	241,427	482,810	124,111	848,348
Less: Reinsurance share	(1,147)	(2,140)	(112,906)	(116,193)
Net claims paid	240,280	480,670	11,205	732,155
Change in net outstanding claims	(15,649)	(4,438)	(2,886)	(22,973)
Net claims incurred	224,631	476,232	8,319	709,182
Premium deficiency reserve	-	-	140	140
Policy acquisition cost	6,662	10,635	5,310	22,607
Net cost and expenses	231,293	486,867	13,769	731,929
Net underwriting results	36,971	13,605	67,704	118,280
Supervision and inspection fee	(1,113)	(2,389)	(1,500)	(5,002)
CCHI fees	(2,356)	-	-	(2,356)
Unallocated general and administrative expenses				(93,912)
Release of doubtful debts				2,204
Unallocated investment income				6,171
Surplus from insurance operations				25,385
As at 31 December 2012				
Reinsurance share of unearned premiums	-	1,212	90,163	91,375
Reinsurance share of outstanding claims	1,440	3,150	70,599	75,189
Deferred acquisition cost	1,710	4,994	2,429	9,133
Unallocated assets				523,992
				699,689
Unearned commission income	3	180	16,482	16,665
Unearned premiums	64,630	168,435	103,315	336,380
Outstanding claims	30,114	77,763	80,812	188,689
Unallocated liabilities				157,955
				699,689

25. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the year.

Related party	Nature of transactions	Amount of transactions For the year ended		Balance as of	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
		SR'000	SR'000	SR'000	SR'000
Insurance Operations					
Shareholders:					
Saudi Bin Laden – Group	Premium	387,375	260,242		
	Payments and claims	(309,214)	(319,182)	235,025	156,864
Rashed Al Rashed – Group	Premium	36,391	23,316		
	Payments and claims	(37,727)	(22,009)	9,562	10,898
Board member:					
Claim and risk services (CARS)	Claim handling fee	(7,135)	5,690		
	Payment made	7,762	(9,975)	(830)	203
Claim and risk services (CARS)	Premium	694	649		
	Payments and claims	(151)	(655)	545	2
Law Office of Hassan Mehassni	Premium	323	322		
	Payments and claims	(318)	(342)	71	65
Key management personnel	Remuneration and related expenses	4,308	4,524	-	-
Shareholders' Operations					
Najm for insurance services	Payment received	500	-	(270)	230
Board members	Board of directors remunerations	1,016	1,154	-	-

26. GEOGRAPHICAL DISTRIBUTION

Most of the Company's assets and liabilities are located in the Kingdom of Saudi Arabia except for the below foreign investments and short term deposits.

		2013	2012
		SR'000	SR'000
Type of Investments	Location		
Investments in murabaha deposit	Middle east	57,516	-
Investments in bonds	Middle east	2,346	1,509
Short term deposits	Middle east	-	191,146
		59,862	192,655

The above investments were held and placed outside Saudi Arabia as at the financial position date.

27. 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, credit, liquidity, foreign currency, commission rate, and market 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 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 Function

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

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

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

Insurance risk management

The 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 and 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 were 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 creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. 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.

27. RISK MANAGEMENT – (continued)

Insurance risk management – (continued)

Independent actuarial review of claims and claims reserves

In further mitigation of the insurance risk, the Company utilises an independent actuary who performs periodical reviews of the Company's claims modelling and claims projections as well as verifying the closing position claims reserves are adequate.

Key assumptions

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

Sensitivities

The Company believes that claim liabilities under insurance contract (Gross outstanding claim less reinsurance share of outstanding claim) outstanding at the year-end are adequate. However these amounts are not certain and actual payments may differ from claim liabilities provided in the financial statements. The insurance claim liabilities are sensitive to various assumptions. Sensitivity of loss for the year to change in claim liabilities and IBNR based on an increase / decrease of 10% in outstanding claim reserve and increase / decrease of 15 % in IBNR is given below

	2013 SR'000		2012 SR'000	
Outstanding claims net of reinsurance	Effect of 10% increase	Effect of 10% decrease	Effect of 10% increase	Effect of 10% decrease
	(7,250)	7,250	(5,526)	5,526

	2013 SR'000		2012 SR'000	
Incurred but not reported (IBNR) reserve net of reinsurance	Effect of 15% increase	Effect of 15% decrease	Effect of 15% increase	Effect of 15% decrease
	(16,416)	16,416	(8,737)	8,737
TOTAL	(23,666)	23,666	(14,263)	14,263

27. RISK MANAGEMENT – (continued)

Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly medical, motor, fire and burglary, general accident and marine classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Fire and Burglary

Fire and burglary insurance contracts, with the main peril being fire damage and other allied perils resulting there from, are underwritten either on replacement value or an indemnity 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 treaties.

Motor

For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The Company has a concentration in motor insurance which accounts for 52 % of gross written premium.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

General Accident and Workmen's Compensation

For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine

In marine insurance the main risk elements are loss or damage to insured cargo and hull 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.

The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional treaties.

Concentration of insurance risk

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

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, 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 of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company. This risk is covered by per occurrence excess of loss treaty.

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.

27. 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 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.

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

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

31 December 2013

	Insurance operations	Shareholders operations
	SR '000	SR '000
Cash and cash equivalents	86,018	92,486
Investments	54,858	165,017
Premiums and insurance balances receivable	419,854	-
Reinsurers' share of unearned premium	123,901	-
Reinsurers' share of outstanding claims	114,716	-
Prepayments and other receivables	84,811	878
	884,158	258,381

31 December 2012

	Insurance operations	Shareholders operations
	SR '000	SR '000
Cash and cash equivalents	34,132	32,314
Time deposits	90,732	166,301
Investments	2,439	22,201
Premiums and insurance balances receivable	301,158	-
Reinsurers' share of unearned premium	91,375	-
Reinsurers' share of outstanding claims	75,189	-
Prepayments and other receivables	86,788	205
	681,813	221,021

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 monthly 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.

27. RISK MANAGEMENT – (continued)

Maturity profiles

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

31 December 2013

	Up to one year	More than one year	Total
	SR '000	SR' 000	SR' 000
Insurance Operations' Financial Liabilities			
Reinsurance payables	185,612	5,380	190,992
Accrued and other payables	22,439	-	22,439
Outstanding claims	296,662	-	296,662
	504,713	5,380	510,093
Shareholders' Financial Liabilities			
Accrued and other payables	1,059	-	1,059
Due to financial institution	18,750	-	18,750
	19,809	-	19.809
Total Financial Liabilities	524,522	5,380	529,902

31 December 2012

	Up to one year	More than one year	Total
	SR '000	SR' 000	SR' 000
Insurance Operations' Financial Liabilities			
Reinsurance payables	50,148	6,524	56,672
Accrued and other payables	27,399	-	27,399
Outstanding claims	188,689	-	188,689
	266,236	6,524	272,760
Shareholders' Financial Liabilities			
Accrued and other payables	728	-	728
	728	-	728
Total Financial Liabilities	266,964	6,524	273,488

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.

27. RISK MANAGEMENT – (continued)

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 principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

31 December 2013

	SR	US Dollar	Total
	SR '000	SR' 000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	80,365	5,653	86,018
Available-for-sale-investments	50,259	4,599	54,858
Premiums receivable, net	411,024	-	411,024
Reinsurance receivables, net	8,830	-	8,830
Reinsurers' share of unearned premium	123,901	-	123,901
Reinsurers' share of outstanding claims	114,716	-	114,716
Prepayments and other receivables	84,811	-	84,811
TOTAL INSURANCE OPERATIONS' ASSETS	873,906	10,252	884,158
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	92,137	349	92,486
Available-for-sale investments	90,764	74,253	165,017
TOTAL SHAREHOLDERS ASSETS	182,901	74,602	257,503
TOTAL ASSETS	1,056,807	84,854	1,141,661

31 December 2012

		US Dollar	Total
	SR '000	SR' 000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	31,946	2,186	34,132
Time deposits	62,432	28,300	90,732
Available-for-sale investments	1,343	1,096	2,439
Premiums receivable, net	281,115	-	281,115
Reinsurance receivables, net	20,043	-	20,043
Reinsurers' share of unearned premium	91,375	-	91,375
Reinsurers' share of outstanding claims	75,189	-	75,189
Prepayments and other receivables	86,788	-	86,788
TOTAL INSURANCE OPERATIONS' ASSETS	650,231	31,582	681,813
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	29,684	2,630	32,314
Time deposits	3,385	162,916	166,301
Available-for-sale investments	11,908	10,293	22,201
Prepayments and other receivables	205	-	205
TOTAL SHAREHOLDERS ASSETS	45,182	175,839	221,021
TOTAL ASSETS	695,413	207,421	902,834

27. RISK MANAGEMENT – (continued)

Foreign currency risk – (continued)

31 December 2013

	SR	US Dollar	Total
	SR '000	SR '000	SR '000
INSURANCE OPERATIONS' LIABILITIES			
Reinsurance payables	190,992	-	190,992
Accrued and other payables	22,439	-	22,439
Outstanding claims	296,662	-	296,662
	510,093	-	510.093
SHAREHOLDERS' LIABILITIES			
Accrued and other payables	1,059	-	1,059
Due to financial institution	-	18,750	18,750
TOTAL SHAREHOLDERS' LIABILITIES	1,059	18,750	19,809
TOTAL LIABILITIES	511,152	18,750	529,902

31 December 2012

	SR	US Dollar	Total
	SR '000	SR '000	SR '000
INSURANCE OPERATIONS' LIABILITIES			
Reinsurance payables	56,672	-	56,672
Accrued and other payables	27,399	-	27,399
Outstanding claims	188,689	-	188,689
	272,760	-	272,760
SHAREHOLDERS' LIABILITIES			
Accrued and other payables	728	-	728
TOTAL SHAREHOLDERS' LIABILITIES	728	-	728
TOTAL LIABILITIES	273,488	-	273,488

27. RISK MANAGEMENT – (continued)

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 investments, cash and cash equivalents, and 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, based on the floating rate financial assets and financial liabilities held as at December 31:

	Change in basis points	Effect on comprehensive (loss) / income for the year
		SR'000
2013	50	+/- 801
2012	50	+/- 1,385

i) 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.

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2013

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Shareholders' operations	-	-	1,923	1,923
Debt securities:				
Insurance operations	14,858	40,000	-	54,858
Shareholders' operations	35,578	70,000	-	105,578
Deposit certificates:				
Shareholders' operations	-	57,516	-	57,516
	50,436	167,516	1,923	219,875

27. RISK MANAGEMENT – (continued)

i) Market price risk – (continued)

As at 31 December 2012

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Insurance operations	843	-	-	843
Shareholders' operations	1,992	-	1,923	3,915
Debt securities:				
Insurance operations	1,596	-	-	1,596
Shareholders' operations	18,286	-	-	18,286
	22,717	-	1,923	24,640

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 interim statement of shareholders' comprehensive income will be impacted.

Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. 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.

As required by Saudi Arabian Insurance Regulations (Article 66 of Implementation Regulations issued by SAMA), the Company is required to maintain minimum Solvency Margin equivalent to the highest of minimum capital requirement, premium solvency margin or claims solvency margin. As at 31 December 2013, the Company's solvency level is less than the minimum solvency margin required by the Implementation Regulations and is in the purview of the above-mentioned article of the Implementation Regulations. The Company is in the process of submission of action plan to SAMA to achieve the solvency margin.

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the board of directors on xxx February 2014 corresponding to xxx Rabi Al-Thani 1435H.

UNITED COOPERATIVE ASSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

Al Bassam

Certified Public Accountants & Consultants

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED COOPERATIVE ASSURANCE COMPANY (A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of United Cooperative Assurance Company – A Saudi Joint Stock Company ('the Company') as at 31 December 2012 and the related statements of insurance operations and accumulated surplus, shareholders' operations, shareholders' comprehensive income, changes in shareholders' equity, statement of insurance operations cash flows and statement of shareholders' operations cash flows for the year then ended and the notes 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 statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

EMPHASIS OF MATTER

We draw attention to note 2 to the accompanying financial statements that these financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

Al Bassam
Certified Public Accountants & Consultants

Ibrahim A. Al Bassam
Registration No. 337

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296

21 Rabi Al-Thani 1434H
3 March 2013
Jeddah, Kingdom of Saudi Arabia

	Note	31 December 2012	31 December 2011
		SR'000	SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	34,132	210,908
Time deposits		90,732	-
Available for sale investments	6	2,439	28,475
Held to maturity investments	7	-	5,361
Premiums receivable, net	8	281,115	381,055
Reinsurance' receivables, net	9	20,043	8,843
Reinsurers' share of unearned premiums	14	91,375	83,450
Reinsurers' share of outstanding claims	15	75,189	121,725
Deferred policy acquisition cost	10	9,133	9,462
Prepayments and other receivables	11	86,788	60,163
Furniture, fittings and office equipment	12	8,743	8,542
Total insurance operations' assets		699,689	917,984
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	32,314	181,780
Time deposits		166,301	-
Available for sale investments	6	22,201	17,450
Held to maturity investments	7	-	19,467
Prepayments and other receivables		205	105
Amount due from a related party	25	230	230
Due from insurance operations		22,847	47,708
Goodwill	1	78,400	78,400
Statutory deposit	21	20,000	20,000
Total shareholders' assets		342,498	365,140
TOTAL ASSETS		1,042,187	1,283,124

The accompanying notes 1 to 28 form part of these financial statements

STATEMENT OF FINANCIAL POSITION – (continued)
At 31 December 2012

	Note	31 December 2012	31 December 2011
		SR'000	SR'000
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurers payables		56,672	106,097
Unearned commission income	13	16,665	15,081
Unearned premiums	14	336,380	402,856
Unexpired risk reserve		1,421	1,281
Outstanding claims	15	188,689	258,198
Payables to policy holders		21,028	9,887
Accrued and other payables	16	27,399	52,701
Due to shareholders' operations		22,847	47,708
Employees' terminal benefits		7,313	4,995
Total insurance operations' liabilities		678,414	898,804
Insurance operations' surplus			
Accumulated surplus from insurance operations		21,258	18,720
Available for sale investments reserve	6	17	460
Total insurance operations' liabilities and surplus		699,689	917,984
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		728	5,540
Accrued zakat and income tax	17	21,819	17,088
Amount due to a related party in respect of goodwill	1	-	24,962
Total shareholders' liabilities		22,547	47,590
Shareholders' equity			
Share capital	18	200,000	200,000
Statutory reserve	19	31,944	27,429
Retained earnings		87,777	89,716
Available for sale investments reserve	6	230	405
Total shareholders' equity		319,951	317,550
Total shareholders' liabilities and equity		342,498	365,140
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHARE-HOLDERS' EQUITY		1,042,187	1,283,124

The accompanying notes 1 to 28 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2012

		31 December	
	Note	2012	2011
		SR'000	SR'000
Revenues			
Gross premiums written		1,024,070	1,068,776
Less: Reinsurance premiums ceded		(281,965)	(231,411)
Excess of loss premiums		(5,148)	(6,732)
Net written premiums		736,957	830,633
Changes in net unearned premiums	14	74,402	(114,801)
Net premiums earned		811,359	715,832
Reinsurance commission received	13	38,850	35,032
Net revenues		850,209	750,864
Cost and expenses			
Gross claims paid	15	848,348	669,699
Less: Reinsurers' share	15	(116,193)	(62,848)
Net claims paid		732,155	606,851
Changes in outstanding claims		(22,973)	(14,926)
Net claims incurred	15	709,182	591,925
Policy acquisition cost	10	22,607	21,214
Unexpired risk reserve		140	-
Net cost and expenses		731,929	613,139
Net result of insurance operations		118,280	137,725
General and administrative expenses	23	(93,912)	(87,084)
Supervision and inspection fee		(5,002)	(5,231)
CCHI fee		(2,356)	(4,453)
Investment income		6,171	4,965
Release of doubtful debts provision and other reserves		2,204	7,087
Surplus from insurance operations		25,385	53,009
Shareholders' share of insurance operations		(22,847)	)47,708(
Surplus for the year		2,538	5,301
Accumulated surplus at the beginning of the year		18,720	13,419
Accumulated surplus at the end of the year		21,258	18,720

The accompanying notes 1 to 28 form part of these financial statements

		31 December	
		2012	2011
	Note		
		SR'000	SR'000
Revenues			
Shareholders' share of insurance operations surplus		22,847	47,708
Commission income		4,880	5,113
Investment income		240	34
Realised gain on investments		4,429	777
Total revenues		32,396	53,632
EXPENSES			
General and administrative expenses	23	1,106	2,054
Board remunerations		1,154	912
Total expenses		2,260	2,966
NET INCOME FOR THE YEAR		30,136	50,666
Weighted average number of ordinary shares outstanding ('000)		20,000	20,000
Earnings per share for the year – basic and diluted (SR)	22	1.51	2.53

The accompanying notes 1 to 28 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December	
	2012	2011
	SR'000	SR'000
Net income for the year	30,136	50,666
Other comprehensive income		
Change in value of available for sale investments	(175)	(303)
Other expenses		
Zakat and income tax (note 17)	(7,560)	(7,833)
Total comprehensive income for the year	22,401	42,530

The accompanying notes 1 to 28 form part of these financial statements

For the year ended 31 December 2012

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale investments	Share capital	Retained earnings	Statutory reserve	Change in fair value of available for sale investments	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale investments
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2011	196,000	88,193	26,881	397	4,000	1,523	548	8	200,000	89,716	27,429	405
Change in fair value of available for sale investments	-	-	-	(172)	-	-	-	(3)	-	-	-	(175)
Net income for the year	-	29,533	-	-	-	603	-	-	-	30,136	-	-
Transferred to statutory reserve		(4,425)	4,425	-	-	(90)	90	-	-	(4.515)	4,515	-
Dividend (note 17)	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Zakat and income tax for the year (note 20)	-	(7,439)	-	-	-	(121)	-	-	-	(7,560)	-	-
Balance as at 31 December 2012	196,000	86,262	31,306	225	4,000	1,515	638	5	200,000	87,777	31,944	230

The accompanying notes 1 to 28 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

For the year ended 31 December 2011

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale investments	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale investments	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale investments
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2010	196,000	74,147	18,485	694	4,000	1,303	377	14	200,000	75,450	18,862	708
Change in fair value of available for sale investments	-	-	-	(297)	-	-	-	(6)	-	-	-	(303)
Net income for the year	-	49,653	-	-	-	1,013	-	-	-	50,666	-	-
Transferred to statutory reserve	-	(8,396)	8,396	-	-	(171)	171	-	-	(8,567)	8,567	-
Dividend	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Zakat and income tax for the year	-	(7,611)	-	-	-	(222)	-	-	-	(7,833)	-	-
Balance as at 31 December 2011	196,000	88,193	26,881	397	4,000	1,523	548	8	200,000	89,716	27,429	405

The accompanying notes 1 to 28 form part of these financial statements

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December	
	2012	2011
	SR'000	SR'000
Cash flows from operating activities:		
Surplus for the year from insurance operations	2,538	5,301
Adjustment for:		
Depreciation	4,158	2,510
Employees' terminal benefits	2,318	2,203
Realised gain on held to maturity investments	(1,302)	(27)
Unrealised exchange gain	-	(244)
Realised gain on available for sale investments	(1,385)	-
Release of doubtful debts and other reserve	(2,204)	(5,728)
	4,123	4,015
Changes in operating assets and liabilities:		
Premiums receivable, net	101,375	(13,358)
Reinsurance' receivables	(10,431)	14,978
Reinsurers' share of unearned premium	(7,925)	24,892
Reinsurers' share of outstanding claims	46,536	(48,674)
Deferred policy acquisition cost	329	(1,564)
Amount due from a related party	-	53,438
Prepayments and other receivables	(26,625)	(31,117)
Reinsurers payables	(49,425)	8,017
Unearned commission income	1,584	(3,363)
Unearned premiums	(66,476)	89,909
Unexpired risk reserve	140	-
Premium deficiency reserve	-	(1,530)
Outstanding claims	(69,509)	33,748
Payables to policy holders	11,141	146
Accrued and other payables	(25,302)	(22,587)
Due to shareholders' operation	(24,861)	(73,276)
Net cash flows (used in)/from operating activities	(115,326)	33,674
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,359)	(6,132)
Purchase of available for sale investments	(419)	(27,178)
Purchase of held to maturity investments	(21,775)	(500)
Time deposits	(90,732)	-
Proceeds from sale of available for sale investments	28,970	6,734
Proceeds from sale of held to maturity investments	26,865	-
Net cash flows used in investing activities	(61,450)	(27,076)
(Decrease)/Increase in cash and cash equivalents	(176,776)	6,598
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	210,908	204,310
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	34,132	210,908
Non-cash transactions		
Transfer of available for sale investments to a related party	-	19,029
Change in value of available for sale investments	18	(119)
Transfer of held to maturity investment into AFS investments	1,573	-

The accompanying notes 1 to 28 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December	
	2012	2011
	SR'000	SR'000
OPERATING ACTIVITIES		
Net income for the year	30,136	50,666
Adjustment for:		
Realised gain on held to maturity investments	(1,702)	-
Realised gain on available for sale investments	(2,728)	(777)
	25,706	49,889
Changes in operating assets and liabilities:		
Prepayments and other receivables	(100)	275
Due from insurance operations	24,861	73,276
Amount due to a related party in respect of goodwill	(24,962)	(53,438)
Accruals and other payables	(4,812)	1,195
Cash from operations	20,693	71,197
Zakat and income tax paid	(2,829)	(3,309)
Net cash flows from operating activities	17,864	67,888
INVESTING ACTIVITIES		
Time deposits	(166,301)	58,760
Purchase of available for sale investments	(2,119)	(15,122)
Purchase of held to maturity investments	(35,129)	(6,951)
Proceeds from sale of available for sale investments	17,949	71,679
Proceeds from sale of held to maturity investments	38,270	4,956
Net cash flows (used in)/from investing activities	(147,330)	113,322
FINANCING ACTIVITIES		
Dividends paid	(20,000)	(20,000)
Net cash flows used in financing activities	(20,000)	(20,000)
Net (decrease)/increase in cash and cash equivalents	(149,466)	161,210
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	181,780	20,570
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	32,314	181,780
Non-cash transactions		
Transfer of held to maturity investment into AFS investments	18,028	-
Change in value of available for sale investments	(175)	(303)

The accompanying notes 1 to 28 form part of these financial statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

United Cooperative Assurance ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 6 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor) Al Rawdah Street, Khalediya District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

The Company entered into an agreement with UCA Insurance Bahrain BSC ('the seller') pursuant to which it acquired the sellers insurance operations in the Kingdom of Saudi Arabia, effective from 31 December 2008, at a goodwill amount of SR 78.40 million, as approved by the SAMA, along-with related insurance assets and liabilities of an equivalent amount (SR 656.95 million).

Further, goodwill of SR 78.40 million, as approved by SAMA, and a corresponding liability (payable to the Seller) had retrospectively recorded in financial statements. In accordance with the instructions of SAMA, the initial Instalment (50% of the portfolio price) was to be paid on 31 December 2009 and periodic payments are to be made till the end of 2015, subject to that the payment will not exceed 50% of the surplus available for distribution, after obtaining SAMA's approval before making any such payment. The Company got approval of SAMA on 18 Sha'ban 1432H corresponding to 19 July 2011, for the payment of goodwill for the years 2009 and 2010 amounting to SR 25.12 million and SR 28.32 million respectively. Accordingly, the Company decreased its liability with respect of goodwill by SR 53.44 million. The Company got approval of SAMA on 10 Jammad Al-Awwal 1433H corresponding to 02 April 2012 regarding the payment of remaining goodwill amounting to SR 24.962 million. Accordingly, the Company fully settled its liability with respect of goodwill of SR 24.962 million. The Company also paid fee on goodwill amounting to 5.1 million during the year.

2. BASIS OF PREPARATION

Basis of measurement

The financial statements are prepared under the historical cost convention except measurement of available for sale investment.

Statement of compliance

The Company has prepared these financial statements in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, 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.

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

As per the by-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	100%

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statement values are presented in Saudi Riyals, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Insurance contracts

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

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

Insurance contracts are principally divided into marine, property, motor, engineering and accident and liability and are principally short term insurance contracts.

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

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Reinsurance

In the ordinary course of business, the Company cedes insurance premiums and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to reinsurers, net of commission income which represents income earned from reinsurance companies, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Reinsurance – (continued)

The Company assesses its reinsurance assets, if any, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the statement of insurance operations and accumulated surplus. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets.

Impairment and uncollectibility of financial assets

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

for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;

for financial assets at fair value, the impairment loss is based on the decline in fair value; and

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

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

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

Significant financial difficulty of the issuer or debtor;

A breach of contract, such as a default or delinquency in payments;

It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

The disappearance of an active market for that financial asset because of financial difficulties; or

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.

Impairment of non-financial assets

Assets that have an indefinite useful life 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).

Deferred policy acquisition costs

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

(a) Available for sale investments

Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of shareholders' comprehensive operations.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders' operations as impairment charges.

Fair values of investments are based on quoted prices for marketable securities. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

(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' operations or statement of insurance operations and accumulated surplus when the investment is derecognized or impaired.

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and short term deposits with an original maturity of less than three months at the date of acquisition.

Goodwill

Purchase price paid in excess of fair value of net assets is considered as goodwill. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future periods.

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 and accumulated surplus on a straight line basis based on the following estimated useful lives:

	Years
Motor vehicles	4
Furniture and fittings	4 – 10
Computers and office equipment	4 – 10
Leasehold improvements	10

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of shareholders' operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions for obligations

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

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

Foreign currency translation

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

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

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

Insurance and other receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations and accumulated surplus. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Subsequent recoveries, of amounts previously written off are credited in the statement of insurance operations and accumulated surplus. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.

End-of-service benefits

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

Revenue recognition

Recognition of premiums and commission revenue

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition – (continued)

Recognition of premiums and commission revenue – (continued)

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

§ at last three month of premiums for marine cargo business as marine cargo policies cover variable periods shorter than one year, in order to spread the premiums earned over the tenure of the insurance policies.

§ Actual number of days for other lines of business

Commission income

Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Claims

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

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

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Salvage and subrogation reimbursements

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

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

De-recognition of financial instruments

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of insurance operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

Leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and income tax

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Unearned commission income

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

Fair values of financial instruments

Financial instruments comprise cash and cash equivalents, premiums receivable, reinsurance receivables, investments, outstanding claims, reinsurance payables and certain other assets and liabilities.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of all other financial instruments are estimated using methods such as net present values of future cash flows.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. For an unquoted equity investment, fair value is determined by reference to the market value of a similar investment or based on the expected discounted cash flows.

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.

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 accumulated surplus and statement of shareholders operations unless required or permitted by any accounting standard or interpretation.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 organized into business units based on their products and services and has three reportable operating segments as follows:

Health insurance, which covers medical costs, medicines, and all other medical services and supplies.

Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.

Other classes, which covers any other classes of insurance not included above.

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

New IFRS, IFRIC and amendments thereof, adopted by the Company

The accounting policies used in preparation of these financial statements are consistent with those of the previous financial year and the adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on the financial statements of the Company.

The Company has adopted the following amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB):

Standard	Description
IFRS 1	First-time adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters.
IFRS 1	First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures
IFRIC 14	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 1	Amendments to IAS 1 Presentation of items of other Comprehensive Income
IAS 12	Amendments to Income taxes - Deferred taxes: Recovery of underlying assets
IAS 24	Revision to IAS 24 Related Party Disclosures
IAS 34	Interim Financial Reporting

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they are effective.

Standard	Description	Effective date
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 January 2013
IAS 16	Amendments to classification of servicing equipment	1 January 2013
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013
IAS 32	Financial Instruments: Presentation (offsetting financial assets and financial liabilities)	1 January 2014
IAS 32	Amendments to tax effects of distribution to holders of equity instruments	1 January 2013
IAS 34	Amendments to interim financial reporting and segment information for total assets and liabilities	1 January 2013

Adoption of the relevant standards and interpretations applicable to the Company would result in some additional disclosures and changes in certain classifications in the financial statements. However, the Company does not expect any significant impact on its financial position or performance from such adoption.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, 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.

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 date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. 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 acquisition costs

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

Reinsurance

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.

5. CASH AND CASH EQUIVALENTS

	2012	2011
	SR'000	SR'000
Insurance operations		
Cash at banks	34,132	153,556
Short term deposits	-	57,352
	34,132	210,908
Shareholders' operations		
Cash in hand and at banks	32,314	136,135
Short term deposits	-	45,645
	32,314	181,780

Cash at banks are placed with counterparties who have good credit ratings.

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

6. AVAILABLE FOR SALE INVESTMENTS

Insurance operations

Available for sale investments at local banks represent units in investment funds listed in Tadawul whereas the investment with foreign banks are listed in international stock exchanges. The unrealized gain of SR 0.017 million as at 31 December 2012 (31 December 2011: unrealized gain of SR 0.46 million) was credited to the surplus from insurance operations as available for sale reserve.

Movement in available for sale investments has summarized below:

As at 31 December 2012	Balance at the beginning of the year	Movement during the year	Transfer from held to maturity investments (note 6.1)	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000	SR'000
Investments in equity shares	8,398	(7,165)	-	(390)	843
Investments in mutual funds	20,077	(20,077)	-	-	-
Investments in bonds	-	-	1,572	24	1,596
	28,475	(27,242)	1,572	(366)	2,439

As at 31 December 2011	Balance at the beginning of the year	Movement during the year	Transfer from held to maturity investments	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000	SR'000
Investments in equity shares	14,903	(6,888)	-	383	8,398
Investments in mutual funds	3,463	16,537	-	77	20,077
Investments in bonds	8,787	(8,787)	-	-	-
	27,153	862	-	460	28,475

6. AVAILABLE FOR SALE INVESTMENTS – (continued)

Shareholders' operations

	31 December 2012	31 December 2011
	SR'000	SR'000
Quoted securities	20,278	15,527
Unquoted securities	1,923	1,923
	22,201	17,450

Available for sale – quoted securities

As at 31 December 2012	Balance at the beginning of the year	Movement during the year	Transfer from held to maturity investments (note 6.1)	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000	SR'000
Investment in equities managed by Audi Capital	15,527	(13,103)	-	(433)	1,991
Investment in bonds managed by Audi Capital	-	-	18,028	258	18,286
	15,527	(13,103)	18,028	(175)	20,278

As at 31 December 2011	Balance at the beginning of the year	Movement during the year	Transfer from held to maturity investments	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000	SR'000
Investment in money market fund managed by Caam Saudi Fransi	51,699	(51,699)	-	-	-
Investment in Al Qandeel fund managed by Caam Saudi Fransi	19,911	(19,911)	-	-	-
Investment in equities managed by Audi Capital	-	15,122	-	405	15,527
	71,610	(56,488)	-	405	15,527

The unrealized loss of SR 0.175 million as at 31 December 2012 (31 December 2011: Loss SR 0.303 million) was charged to the statement of changes in shareholders' equity as available for sale investments reserve. The available for sale reserve as of 31 December 2012 is SR 0.23 million (31 December 2011: SR 0.41 million).

6. AVAILABLE FOR SALE INVESTMENTS – (continued)

Shareholders' operations – (continued)

Available for sale – unquoted securities

As at 31 December 2012	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
	1,923	-	-	1,923

As at 31 December 2011	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
	1,923	-	-	1,923

During the year, the company has sold few held to maturity investments before the maturity dates. Hence, the held to maturity investment become tainted and Company has reclassified all of its held to maturity portfolio into available for sale investment.

7. HELD TO MATURITY INVESTMENTS

Insurance operations

The held to maturity investments were represented security instruments with fixed interest rate with 4 - 10 year time horizon yielding an effective interest rate ranging from 2.40% - 4.625% on an annual basis. The Company purchased securities amounting to SR 21.78 million (31 December 2011: SR 5.36 million) and sold/matured investment of SR 25.56 million during the year. During the year, the company has sold few held to maturity investments before the maturity dates. Hence, the held to maturity investment become tainted and Company has reclassified all of its held to maturity portfolio into available for sale investment.

Shareholders' operations

The held to maturity investments were represented security instruments with fixed interest rate with 1 – 10 year time horizon yielding an effective interest rate ranging from 1.77 % to 6.125% (31 December 2011: 2.5% to 3.5%) on an annual basis. The Company purchased securities, amounting to SR 35.13 million
(31 December 2011: SR 6.95 million) and sold/matured investment of SR 36.57 million during the year. During the year, the company has sold few held to maturity investments before the maturity dates. Hence, the held to maturity investment become tainted and Company has reclassified all of its held to maturity portfolio into available for sale investment.

8. PREMIUMS RECEIVABLE

	2012	2011
	SR'000	SR'000
Due from policyholders	134,594	178,408
Due from related parties	172,056	229,617
Doubtful debt provision	(25,535)	(26,970)
	281,115	381,055

		Past due but not impaired		
31 December 2012	Less than 90 days	91 to 180 days	More than 180 days	Total
Amount in SR '000				
Premiums receivable	81,428	14,240	38,926	134,594
Premiums receivable – related parties	129,078	42,978	-	172,056
Provision for doubtful debts	-	(8,583)	(16,952)	(25,535)
Premiums receivable, net	210,506	48,635	21,974	281,115

8. PREMIUMS RECEIVABLE – (continued)

		Past due but not impaired		
31 December 2011	Less than 90 days	91 to 180 days	More than 180 days	Total
Amount in SR '000				
Premiums receivable	106,996	26,318	45,094	178,408
Premiums receivable – related parties	209,234	19,286	1,097	229,617
Provision for doubtful debts	-	(6,841)	(20,129)	(26,970)
Premiums receivable, net	316,230	38,763	26,062	381,055

Movement in provision for doubtful debts is as follows:

	2012 SR'000	2011 SR'000
Balance at the beginning of the year	26,970	31,541
Release of provision during the year	(1,435)	(4,571)
Balance at the end of the year	25,535	26,970

Unimpaired 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 is, therefore, unsecured. In respect of premiums receivable, the five largest customer balances accounted for approximately 71.63% of this balance as at 31 December 2012 (2011: 64.95%). Receivables comprise a large number of customers and insurance companies mainly within the Kingdom of Saudi Arabia.

9. REINSURANCE RECEIVABLE

	2012 SR '000'	2011 SR '000'
Reinsurance receivables	22,439	12,008
Doubtful debt provision	(2,396)	(3,165)
	20,043	8,843

10. DEFERRED ACQUISITION COST

	2012 SR '000'	2011 SR '000'
As at 1 January	9,462	7,898
Cost incurred during the year	22,278	22,778
Charge for the year	(22,607)	(21,214)
As at 31 December	9,133	9,462

11. PREPAYMENTS AND OTHER RECEIVABLES

	2012 SR '000'	2011 SR '000'
Deferred TPA fee	2,096	3,767
Prepaid expenses	4,512	5,097
Accrued interest	7	20
Advances to hospitals	54,642	39,320
Others	25,531	11,959
	86,788	60,163

12. PROPERTY AND EQUIPMENT

Insurance Operations

	Motor Vehicles	Furniture & fittings	Computers & office equipment	Leasehold Improvements	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
Cost:					
At the beginning of the year	148	5,112	5,418	2,020	12,698
Additions	84	1,482	1,321	1,472	4,359
Closing balance	232	6,594	6,739	3,492	17,057
Depreciation:					
At the beginning of the year	34	1,212	2,210	700	4,156
Charge for the year	56	1,663	1,624	815	4,158
Closing balance	90	2,875	3,834	1,515	8,314
Net book value:					
At 31 December 2012	142	3,719	2,905	1,977	8,743
At 31 December 2011	114	3,900	3,208	1,320	8,542

13. UNEARNED COMMISSION INCOME

	2012 SR '000'	2011 SR '000'
As at 1 January	15,081	18,444
Commission received during the year	40,434	31,669
Commission earned during the year	(38,850)	(35,032)
As at 31 December	16,665	15,081

14. MOVEMENT IN UNEARNED PREMIUM

	2012 SR '000'	2011 SR '000'
Gross unearned premium as at 1 January	402,856	312,947
Gross unearned premium as at 31 December	(336,380)	(402,856)
Movement in unearned premium	66,476	(89,909)
Reinsurers' share of unearned premium as at 1 January	(83,450)	(108,342)
Reinsurers' share of unearned premium as at 31 December	91,375	83,450
Movement in reinsurance share of unearned premiums	7,925	(24,892)
Movement in unearned premiums, net	74,401	(114,801)

15. CLAIMS

	2012 SR'000	2011 SR'000
Gross claims paid	848,348	669,699
Gross outstanding claims at the end of the year	188,689	258,198
	1,037,037	927,897
Gross outstanding claims at the beginning of the year	(258,198)	(224,450)
Gross claims incurred	778,839	703,447
Reinsurance recoveries	(116,193)	(62,848)
Reinsurers' share of outstanding claims at the end of the year	(75,189)	(121,725)
	(191,382)	(184,573)
Reinsurers' share of outstanding claims at the beginning of the year	121,725	73,051
Reinsurers' share of claims	(69,657)	(111,522)
Net claims incurred	709,182	591,925

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

16. ACCRUALS AND OTHER PAYABLES

	2012	2011
	SR '000'	SR '000'
Insurance Operations		
Accrued expenses	543	460
Garages	2,246	2,000
TPA fees	-	4,082
Insurance brokers	1,164	2,584
Surveyor	591	147
Commission and incentives payable	5,764	11,024
CCHI fees payable	2,306	3,017
Supervision and inspection fee payable	1,048	1,326
Withholding tax payable	9,748	8,554
Others	3,989	19,507
	27,399	52,701

17. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

	2012	2011
The zakat and income tax provision for the year is based on the following:	SR '000'	SR '000'
Equity	200,000	200,000
Statutory deposit	(20,000)	(20,000)
Statutory reserves	27,429	18,862
Profit of previous years	89,716	106,876
Dividends paid	(20,000)	(20,000)
End of services benefits	4,995	2,792
Held to maturity investments	-	(24,828)
Property and equipment, net	(8,743)	(8,542)
	273,397	255,160
Profit for the year	30,136	50,666
Provision for doubtful debts	(2,204)	(151)
End of services benefits	2,318	4,995
Zakat base	303,647	310,670
Attributable to Saudi Shareholders @ 98%	297,574	304,457
Zakat @ 2.5%	7,439	7,611
Income tax		
Attributable to Non Saudi Shareholder @ 2%	605	1,110
Income tax @ 20%	121	222
Zakat and income tax	7,560	7,833

17. ZAKAT AND INCOME TAX – (continued)

The movement in the Zakat and Income tax payable is as follows:

	2012	2011
	SR'000	SR'000
Balance at the beginning of the year	17,088	12,564
Charge for the year	7,560	7,833
Paid during the year	(2,829)	(3,309)
Balance at the end of the year	21,819	17,088

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Status of assessment:

The Company has filed its zakat declarations for the years ended 31 December 2009 to 2011 and obtained restricted zakat certificates.

18. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million at year end consisting of 20 million shares of SR 10 each.

19. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution.

20. DIVIDENDS

The general assembly held a meeting on 23 Jamaad Al-Thani 1433H (corresponding to 14 May 2012) and approved the Board of Directors' proposal to distribute cash dividends of SR 1 per share to the registered shareholders as at the date of the Company's general assembly meeting.

21. STATUTORY DEPOSIT

	2012	2011
	SR'000	SR'000
Shareholders' Operations		
Statutory deposit	20,000	20,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 20 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The company cannot withdraw this deposit without SAMA approval.

22. EARNINGS PER SHARE

Earnings per share for the year have been calculated by dividing the net income for the year by the weighted average number of issued and outstanding shares for the year.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
	SR'000	SR'000
Insurance operations		
Employee costs	63,442	60,934
Legal and professional fees	1,007	1,411
Office rent	10,084	8,717
Depreciation	4,158	2,510
Office expenses	2,178	2,483
Communication expenses	4.116	3,149
Vehicle expenses	132	115
Withholding tax	1,600	-
Printing & stationery	1,957	2,147
Courier and postage	478	434
Electricity	282	261
Other	4,478	4,923
	93,912	87,084

Shareholders operations

	2012	2011
	SR'000	SR'000
Professional fees	400	480
Fees on unpaid goodwill	-	1,248
Others	706	326
	1,106	2,054

24. SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, operating segments have been approved by Management in respect of the Company's activities, assets and liabilities as stated below.
Segment results do not include general and administrative expenses, and board of directors' remuneration and expenses.
Segment assets do not include insurance operations cash and cash equivalents, investments, premium receivables, reinsurance receivables, prepaid expenses and other assets, and property and equipment, net.
Segment liabilities do not include reinsurance payables, accrued expenses and other liabilities, due to shareholders' operations and employees' terminal benefits.

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the year ended 31 December 2012				
Insurance operations				
Gross premiums written	222,692	477,640	323,738	1,024,070
Premiums ceded	-	(5,084)	(276,881)	(281,965)
Excess of loss premiums	(1,548)	(1,139)	(2,461)	(5,148)
Net premiums written	221,144	471,417	44,396	736,957
Change in net unearned premiums	47,102	28,349	(1,049)	74,402
Net premiums earned	268,246	499,766	43,347	811,359
Reinsurance commission received	18	706	38,126	38,850
Net revenue	268,264	500,472	81,473	850,209
COSTS AND EXPENSES:				
Gross claim paid	241,427	482,810	124,111	848,348
Less: Reinsurance share	(1,147)	(2,140)	(112,906)	(116,193)
Net claims paid	240,280	480,670	11,205	732,155
Change in net outstanding claims	(15,649)	(4,438)	(2,886)	(22,973)
Net claims incurred	224,631	476,232	8,319	709,182
Unexpired risk reserve	-	-	140	140
Policy acquisition cost	6,662	10,635	5,310	22,607
Net cost and expenses	231,293	486,867	13,769	731,929
Net underwriting results	36,971	13,605	67,704	118,280
Supervision and inspection fee	(1,113)	(2,389)	(1,500)	(5,002)
CCHI fees	(2,356)	-	-	(2,356)
Unallocated general and administrative expenses				(93,912)
Release of doubtful debts				2,204
Unallocated investment income				6,171
Surplus from insurance operations				25,385
As at 31 December 2012				
Reinsurance share of unearned premiums	-	1,212	90,163	91,375
Reinsurance share of outstanding claims	1,440	3,150	70,599	75,189
Deferred acquisition cost	1,710	4,994	2,429	9,133
Unallocated assets				523,992
				699,689
Unearned commission income	3	180	16,482	16,665
Unearned Premiums	64,630	168,435	103,315	336,380
Outstanding claims	30,114	77,763	80,812	188,689
Unallocated liabilities				157,955
				699,689

24. SEGMENTAL INFORMATION – (continued)

	Medical SR '000	Motor SR '000	Others SR '000	Total SR '000
For the year ended 31 December 2011				
Insurance operations				
Gross premiums written	301,677	496,245	270,854	1,068,776
Premiums ceded	(641)	(992)	(229,778)	(231,411)
Excess of loss premiums	(746)	(4,158)	(1,828)	(6,732)
Net premiums written	300,290	491,095	39,248	830,633
Change in net unearned premiums	264	(116,033)	968	(114,801)
Net premiums earned	300,554	375,062	40,216	715,832
Reinsurance commission received	85	278	34,669	35,032
Net revenue	300,639	375,340	74,885	750,864
COSTS AND EXPENSES:				
Gross claim paid	270,858	342,568	56,273	669,699
Less: Reinsurance share	(47)	(16,960)	(45,841)	(62,848)
Net claims paid	270,811	325,608	10,432	606,851
Change in net outstanding claims	(30,400)	13,681	1,793	(14,926)
Net claims incurred	240,411	339,289	12,225	591,925
Policy acquisition cost	9,596	6,786	4,832	21,214
Net cost and expenses	250,007	346,075	17,057	613,139
Net underwriting results	50,632	29,265	57,828	137,725
Supervision and inspection fee	(1,546)	(2,480)	(1,205)	(5,231)
CCHI fees	(4,453)	-	-	(4,453)
Unallocated general and administrative expenses				(87,084)
Release of doubtful debts provision				7,087
Unallocated investment income				4,965
Surplus from insurance operations				53,009

As at 31 December 2011				
Reinsurance share of unearned premiums	2,683	259	80,508	83,450
Reinsurance share of outstanding claims	122	3,255	118,348	121,725
Deferred acquisition cost	3,782	3,756	1,924	9,462
Unallocated assets				703,347
				917,984
Unearned commission income	755	124	14,202	15,081
Unearned Premiums	114,948	195,830	92,078	402,856
Outstanding claims	45,133	82,307	130,758	258,198
Unallocated liabilities				241,849
				917,984

25. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the year.

Related party	Nature of transactions	Amount of transactions For the year ended		Balance as of	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
		SR'000	SR'000	SR'000	SR'000
Insurance Operations					
Shareholders:					
Saudi Bin Laden – Group	Premium	260,242	390,072		
	Payments and claims	(319,182)	(412,102)	156,864	215,804
Rashed Al Rashed – Group	Premium	23,316	21,986		
	Payments and claims	(22,009)	(28,796)	10,898	9,591
Saudi Import Company	Premium	12,550	11,162		
	Payments and claims	(12,396)	(10,323)	4,343	4,189
Al Faisaliah Group	Premium	6,897	2,104		
	Payments and claims	(7,580)	(2,071)	(650)	33
Board member:					
Claim and risk services (CARS)	Claim handling fee	5,690	11,590		
	Payment made	(9,975)	(19,546)	203	(4,082)
Claim and risk services (CARS)	Premium	649	606		
	Payments and claims	(655)	(598)	2	8
Law Office of Hassan Mehassni	Premium	322	310		
	Payments and claims	(342)	(294)	65	85
Key management personnel	Remuneration and related expenses	4,524	3,759	-	-
Shareholders' Operations					
UCA Bahrain B.S.C (c)	Goodwill payable	(24,962)	53,438	-	24,962
Najm for insurance services	Expenses	-	-	230	230
Board members	Board of directors remunerations	1,154	912	-	-

26. GEOGRAPHICAL DISTRIBUTION

Most of the Company's assets and liabilities are located in the Kingdom of Saudi Arabia except for the below foreign investments and short term deposits.

		2012	2011
Type of Investments	Location		
		SR, 000	SR, 000
Investments in equity shares	Africa	-	136
Investments in equity shares	Middle east	-	689
Investments in bonds	Middle east	1,509	6,169
Short term deposits	Middle east	191,146	87,998
		192,655	94,992

The above investments were held and placed outside Saudi Arabia as at the financial position date.

All the above will be liquidated during the subsequent period and be placed in the Kingdom of Saudi Arabia.

27. 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, credit, liquidity, foreign currency, commission rate, and market 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 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 Function

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

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

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

Insurance risk management

The 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 and 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 were 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 creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. 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.

27. RISK MANAGEMENT – (continued)

Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly medical, motor, fire and burglary, general accident and marine classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Fire and Burglary

Fire and burglary insurance contracts, with the main peril being fire damage and other allied perils resulting there from, are underwritten either on replacement value or an indemnity 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 treaties.

Motor

For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The Company has a concentration in motor insurance which accounts for 39 % of gross written premium.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

General Accident and Workmen's Compensation

For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine

In marine insurance the main risk elements are loss or damage to insured cargo and hull 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.

The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional treaties.

Concentration of insurance risk

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

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, 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 of 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 30,000.

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.

27. 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 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.

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

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

31 December 2012

	Insurance operations	Shareholders operations
	SR '000	SR '000
Cash and cash equivalents	34,132	32,314
Time deposits	90,732	166,301
Investments	2,439	22,201
Premiums and insurance balances receivable	301,158	-
Reinsurers' share of unearned premium	91,375	-
Reinsurers' share of outstanding claims	75,189	-
Prepayments and other receivables	86,788	205
	681,813	221,021

31 December 2011

	Insurance operations	Shareholders operations
	SR '000	SR '000
Cash and cash equivalents	210,908	181,780
Investments	33,836	36,917
Premiums and insurance balances receivable	389,898	-
Reinsurers' share of unearned premium	83,450	-
Reinsurers' share of outstanding claims	121,724	-
Prepayments and other receivables	60,163	105
	899,979	218,802

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 monthly 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.

27. RISK MANAGEMENT – (continued)

Maturity profiles

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

31 December 2012

	Up to one year	More than one year	Total
	SR '000	SR' 000	SR' 000
Insurance Operations' Financial Liabilities			
Reinsurance balances payable	50,148	6,524	56,672
Accrued expenses and other liabilities	27,399	-	27,399
Gross outstanding claims	188,689	-	188,689
	266,236	6,524	272,760
Shareholders' Financial Liabilities			
Accrued expenses and other liabilities	728	-	728
	728	-	728
Total Financial Liabilities	266,964	6,524	273,488

31 December 2011

	Up to one year	More than one year	Total
	SR '000	SR' 000	SR' 000
Insurance Operations' Financial Liabilities			
Reinsurance balances payable	96,842	9,255	106,097
Accrued expenses and other liabilities	52,701	-	52,701
Gross outstanding claims	258,198	-	258,198
	407,741	9,255	416,996
Shareholders' Financial Liabilities			
Accrued expenses and other liabilities	5,540	-	5,540
	5,540	-	5,540
Total Financial Liabilities	413,281	9,255	422,536

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.

27. RISK MANAGEMENT – (continued)

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 principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

31 December 2012

	SR	US Dollar	Total
	SR '000	SR' 000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	31,946	2,186	34,132
Time deposits	62,432	28,300	90,732
Investments	1,343	1,096	2,439
Premiums and insurance balances receivable	281,115	-	281,115
Reinsurance receivable	20,043	-	20,043
Reinsurers' share of unearned premium	91,375	-	91,375
Reinsurers' share of outstanding claims	75,189	-	75,189
Prepayments and other receivables	86,788	-	86,788
TOTAL INSURANCE OPERATIONS' ASSETS	650,231	31,582	681,813
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	29,684	2,630	32,314
Time deposits	3,385	162,916	166,301
Investments	11,908	10,293	22,201
TOTAL SHAREHOLDERS ASSETS	44,977	175,839	220,816
TOTAL ASSETS	695,208	207,421	902,629

31 December 2011

	SR	US Dollar	Total
	SR '000	SR' 000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	63,048	147,860	210,908
Investments	28,110	5,726	33,836
Premiums and insurance balances receivable	381,055	-	381,055
Reinsurance receivable	8,843	-	8,843
Reinsurers' share of unearned premium	83,450	-	83,450
Reinsurers' share of outstanding claims	121,725	-	121,724
Prepayments and other receivables	60,163	-	60,163
TOTAL INSURANCE OPERATIONS' ASSETS	746,394	153,586	899,980
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	46,073	135,707	181,780
Investments	24,402	12,515	36,917
TOTAL SHAREHOLDERS ASSETS	70,475	148,222	218,697
TOTAL ASSETS	816,869	301,808	1,118,677

27. RISK MANAGEMENT – (continued)

Foreign currency risk – (continued)

31 December 2012

	SR	US Dollar	Total
	SR '000	SR '000	SR '000
INSURANCE OPERATIONS' LIABILITIES			
Reinsurance balances payable	56,672	-	56,672
Accrued expenses and other liabilities	27,399	-	27,399
Gross outstanding claims	188,689	-	188,689
	272,760	-	272,760
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	728	-	728
TOTAL SHAREHOLDERS' LIABILITIES	728	-	728
TOTAL LIABILITIES	273,488	-	273,488

31 December 2011

	SR	US Dollar	Total
	SR '000	SR '000	SR '000
INSURANCE OPERATIONS' LIABILITIES			
Reinsurance balances payable	106,097	-	106,097
Accrued expenses and other liabilities	52,701	-	52,701
Gross outstanding claims	258,198	-	258,198
	416,996	-	416,996
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	5,540	-	5,540
TOTAL SHAREHOLDERS' LIABILITIES	5,540	-	5,540
TOTAL LIABILITIES	422,536	-	422,536

27. RISK MANAGEMENT – (continued)

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 investments, cash and cash equivalents, and 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, based on the floating rate financial assets and financial liabilities held as at December 31:

	Change in basis points	Effect on comprehensive income for the year
		SR'000
2012	50	+/- 1,385
2011	50	+/- 440

i) 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.

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2012

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Insurance operations	843	-	-	843
Shareholders' operations	1,992	-	1,923	3,915
Debt securities				
Insurance operations	1,596	-	-	1,596
Shareholders' operations	18,286	-	-	18,286
	22,717	-	1,923	24,640

As at 31 December 2011

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Insurance operations	28,475	-	-	28,475
Shareholders' operations	15,527	-	1,923	17,450
	44,002	-	1,923	45,925

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.

27. RISK MANAGEMENT – (continued)

Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. 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.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the board of directors on 3 March 2013 corresponding to 21 Rabi Al-Thani 1434H.

UNITED COOPERATIVE ASSURANCE COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

Al Bassam

Certified Public Accountants & Consultants

Deloitte.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF AUDIT

We have audited the accompanying statement of financial position of United Cooperative Assurance Company – A Saudi Joint Stock Company ('the Company') as at 31 December 2011 and the related statements of insurance operations and accumulated surplus, shareholders' comprehensive income, changes in shareholders' equity, statement of insurance operations cash flows and statement of shareholders' operations cash flows for the year then ended and the notes 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 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 statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

EMPHASIS OF MATTER

We draw attention to note 2 to the accompanying financial statements that these financial statements have been prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

Al Bassam
Certified Public Accountants & Consultants

Ibrahim A. Al Bassam
Registration No. 337

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
License No. 296

26 Rabi Al-Awal 1433H
18 February 2012
Jeddah, Kingdom of Saudi Arabia

	Note	31 December 2011	31 December 2010
		SR'000	SR'000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	5	210,908	204,310
Available for sale investments	6	28,475	27,153
Held to maturity investments	7	5,361	4,861
Premiums receivable, net	8	381,055	363,126
Reinsurance' receivables, net	9	8,843	22,583
Reinsurers' share of unearned premiums	14	83,450	108,342
Reinsurers' share of outstanding claims	15	121,725	73,051
Deferred policy acquisition cost	10	9,462	7,898
Amount due from a related party	25	-	34,409
Prepayments and other receivables	11	60,163	29,046
Furniture, fittings and office equipment	12	8,542	4,920
Total insurance operations' assets		917,984	879,699
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	5	181,780	20,570
Time deposits		-	58,760
Available for sale investments	6	17,450	73,533
Held to maturity investments	7	19,467	17,472
Prepayments and other receivables		105	380
Amount due from a related party	25	230	230
Due from insurance operations		47,708	120,984
Goodwill	1	78,400	78,400
Statutory deposit	21	20,000	20,000
Total shareholders' assets		365,140	390,329
TOTAL ASSETS		1,283,124	1,270,028

The accompanying notes 1 to 28 form part of these financial statements

	Note	31 December 2011	31 December 2010
		SR'000	SR'000
INSURANCE LIABILITIES AND SURPLUS			
Insurance operations' liabilities			
Reinsurers payables		106,097	98,244
Unearned commission income	13	15,081	18,444
Unearned premiums	14	402,856	312,947
Premium deficiency reserve		-	1,530
Unexpired risk reserve		1,281	1,281
Outstanding claims	15	258,198	224,450
Payables to policy holders		9,887	9,746
Accrued and other payables	16	52,701	75,283
Due to shareholders' operations		47,708	120,984
Employees' terminal benefits		4,995	2,792
Total insurance operations' liabilities		898,804	865,701
Insurance operations' surplus			
Accumulated surplus from insurance operations		18,720	13,419
Available for sale investments reserve	6	460	579
Total insurance operations' liabilities and surplus		917,984	879,699
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accruals and other payables		5,540	4,345
Accrued zakat and income tax	17	17,088	12,564
Amount due to a related party in respect of goodwill	1	24,962	78,400
Total shareholders' liabilities		47,590	95,309
Shareholders' equity			
Share capital	18	200,000	200,000
Statutory reserve	19	27,429	18,862
Retained earnings		89,716	75,450
Available for sale investments reserve	6	405	708
Total shareholders' equity		317,550	295,020
Total shareholders' liabilities and equity		365,140	390,329
TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY		1,283,124	1,270,028

The accompanying notes 1 to 28 form part of these financial statements

STATEMENT OF INSURANCE OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	December 31 2011	2010
		SR'000	SR'000
Revenues			
Gross premiums written		1,068,776	850,546
Less: Reinsurance premiums ceded		(231,411)	(255,101)
Excess of loss premiums		(6,732)	(2,646)
Net written premiums		830,633	592,799
Changes in net unearned premiums	14	(114,801)	30,149
Net premiums earned		715,832	622,948
Reinsurance commission received	13	35,032	39,873
Net revenues		750,864	662,821
Cost and expenses			
Gross claims paid	15	669,699	593,315
Less: Reinsurers' share	15	(62,848)	(67,014)
Net claims paid		606,851	526,301
Changes in outstanding claims		(14,926)	(25,707)
Net claims incurred	15	591,925	500,594
Policy acquisition cost	10	21,214	29,785
Unexpired risk reserve		-	1,281
Net cost and expenses		613,139	531,660
Net result of insurance operations		137,725	131,161
General and administrative expenses	23	(87,084)	(75,503)
Supervision and inspection fee		(9,684)	(7,144)
Investment income		4,965	15,775
Release of doubtful debts provision and other reserves		7,087	1,643
Surplus from insurance operations		53,009	65,932
Shareholders' share of insurance operations		47,708	59,339
Surplus for the year		5,301	6,593
Accumulated surplus at the beginning of the year		13,419	6,826
Accumulated surplus at the end of the year		18,720	13,419

The accompanying notes 1 to 28 form part of these financial statements

		31 December	
		2011	2010
	Note		
		SR'000	SR'000
Revenues			
Shareholders' share of insurance operations surplus		47,708	59,339
Commission income		5,113	1,804
Investment income		34	137
Realised gain on investments		777	858
Total revenues		53,632	62,138
EXPENSES			
General and administrative expenses	23	2,054	4,455
Board remunerations		912	1,036
Total expenses		2,966	5,491
NET INCOME FOR THE YEAR		50,666	56,647
Weighted average number of ordinary shares outstanding ('000)		20,000	20,000
Earnings per share for the year – basic and diluted (SR)	22	2.53	2.84

The accompanying notes 1 to 28 form part of these financial statements

	31 December	
	2011	2010
	SR'000	SR'000
Net income for the year	50,666	56,647
Other comprehensive income		
Change in value of available for sale investments	(303)	(216)
Other expenses		
Zakat and income tax (note 17)	(7,833)	(7,016)
Total comprehensive income for the year	42,530	49,415

The accompanying notes 1 to 28 form part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

31 December 2011

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale invest-ments	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale in-vestments	Share capital	Retained earnings	Statutory reserve	Change in value of avail-able for sale investments
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2010	196,000	74,147	18,485	694	4,000	1,303	377	14	200,000	75,450	18,862	708
Change in value of available for sale investments	-	-	-	(297)	-	-	-	(6)	-	-	-	(303)
Net income for the year	-	49,653	-	-	-	1,013	-	-	-	50,666	-	-
Zakat and income tax for the year (note 17)	-	(7,611)	-	-	-	(222)	-	-	-	(7,833)	-	-
Transferred to statutory reserve	-	(8,396)	8,396	-	-	(171)	171	-	-	(8,567)	8,567	-
Dividend (note 20)	-	(19,600)	-	-	-	(400)	-	-	-	(20,000)	-	-
Balance as at 31 December 2011	196,000	88,193	26,881	397	4,000	1,523	548	8	200,000	89,716	27,429	405

The accompanying notes 1 to 28 form part of these financial statements

31 December 2010

	Saudi founding shareholders and general public				Non-Saudi founding shareholders				Total			
	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale investments	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale investments	Share capital	Retained earnings	Statutory reserve	Change in value of available for sale investments
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Balance as at 31 December 2009	196,000	35,125	8,757	906	4,000	620	179	18	200,000	35,745	8,936	924
Change in value of available for sale investments	-	-	-	(212)	-	-	-	(4)	-	-	-	(216)
Net income for the year	-	55,514	-	-	-	1,133	-	-	-	56,647	-	-
Zakat and income tax for the year	-	(6,764)	-	-	-	(252)	-	-	-	(7,016)	-	-
Transferred to statutory reserve	-	(9,728)	9,728	-	-	(198)	198	-	-	(9,926)	9,926	-
Balance as at 31 December 2010	196,000	74,147	18,485	694	4,000	1,303	377	14	200,000	75,450	18,862	708

The accompanying notes 1 to 28 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	31 December	
	2011	2010
	SR'000	SR'000
Cash flows from operating activities:		
Surplus for the year from insurance operations	5,301	6,593
Adjustment for:		
Depreciation	2,510	1,198
Employees' terminal benefits	2,203	1,470
Realised gain on available for sale investments	(27)	(257)
Unrealised exchange gain	(244)	-
Provision for doubtful debts	-	4,855
Release of doubtful debts and other reserve	(5,728)	-
	4,015	13,859
Changes in operating assets and liabilities:		
Premiums receivable, net	(13,358)	(39,500)
Reinsurance' receivables	14,978	(11,767)
Reinsurers' share of unearned premium	24,892	(7,237)
Reinsurers' share of outstanding claims	(48,674)	57,811
Deferred policy acquisition cost	(1,564)	4,927
Amount due from a related party	53,438	131,882
Prepayments and other receivables	(31,117)	4,212
Reinsurers payables	8,017	31,867
Unearned commission income	(3,363)	(2,342)
Unearned premiums	89,909	(23,805)
Premium deficiency reserve	(1,530)	893
Unexpired risk reserve	-	1,281
Outstanding claims	33,748	(83,518)
Profit sharing reserve	-	(1,643)
Payables to policy holders	146	3,973
Accrued and other payables	(22,587)	27,125
Due to shareholders' operation	(73,276)	59,336
Net cash from operating activities	33,674	167,354
INVESTING ACTIVITIES		
Purchase of property and equipment	(6,132)	(2,655)
Purchase of available for sale investments	(27,178)	(26,460)
Purchase of held to maturity investments	(500)	(4,861)
Time deposits	-	19,639
Proceeds from sale of available for sale investments	6,734	30,257
Proceeds from sale of held to maturity investments	-	5,003
Net cash (used in) from investing activities	(27,076)	20,923
Increase in cash and cash equivalents	6,598	188,277
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	204,310	16,033
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	210,908	204,310
Non-cash transactions		
Transfer of available for sale investments to a related party	19,029	-
Change in value of available for sale investments	(119)	(63)

The accompanying notes 1 to 28 form part of these financial statements

UNITED COOPERATIVE ASSURANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	31 December	
	2011	2010
	SR'000	SR'000
OPERATING ACTIVITIES		
Net income for the year	50,666	56,647
Adjustment for:		
Realised gain on available for sale investments	(777)	(858)
	49,889	55,789
Changes in operating assets and liabilities:		
Prepayments and other receivables	275	(356)
Due from insurance operations	73,276	(59,336)
Amount due to a related party in respect of goodwill	(53,438)	-
Accruals and other payables	1,195	4,132
Cash from operations	71,197	229
Zakat and income tax paid	(3,309)	-
Net cash from operating activities	67,888	229
INVESTING ACTIVITIES		
Time deposits	58,760	(28,267)
Purchase of available for sale investments	(15,122)	-
Purchase of held to maturity investments	(6,951)	(12,425)
Proceeds from sale of available for sale investments	71,679	59,956
Proceeds from sale of held to maturity investments	4,956	-
Net cash from investing activities	113,322	19,264
FINANCING ACTIVITIES		
Dividends paid	(20,000)	-
Net cash used in financing activities	(20,000)	-
Net increase in cash and cash equivalents	161,210	19,493
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	20,570	1,077
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	181,780	20,570
Non-cash transactions		
Change in value of available for sale investments	(303)	(216)

The accompanying notes 1 to 28 form part of these financial statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

United Cooperative Assurance (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030179955 dated 06 Jamad-al-Thani 1429H, corresponding to 6 June 2008. Registered Office address of the Company is Al-Mukmal Centre (1st and 4th floor) Al Rawdah Street, Khalediya District, P. O. Box 5019, Jeddah 21422, Kingdom of Saudi Arabia.

The activities of the Company are to transact cooperative insurance and reinsurance operations and related activities in the Kingdom of Saudi Arabia. On 29 Rabi Al Thani 1429H (5 May 2008), the Company received a license from the Saudi Arabian Monetary Agency (SAMA) to engage in insurance and reinsurance in Saudi Arabia. The Company started the operations on 1 January 2009.

The company entered into an agreement with UCA Insurance Bahrain BSC ('the seller') pursuant to which it acquired the sellers insurance operations in the Kingdom of Saudi Arabia, effective from 31 December 2008, at a goodwill amount of SR 78.40 million, as approved by the Saudi Arabian Monetary Agency ('SAMA'), along-with related insurance assets and liabilities of an equivalent amount (SR 656.95 million).

Furthermore, goodwill of SR 78.40 million, as approved by SAMA, and a corresponding liability (payable to the Seller) had retrospectively recorded in financial statements. In accordance with the instructions of SAMA, the initial instalment (50% of the portfolio price) was to be paid on 31 December 2009 and periodic payments are to be made till the end of 2015, subject to that the payment will not exceed 50% of the surplus available for distribution, after obtaining SAMA's approval before making any such payment. During the year, the company got approval of SAMA on 18 Shabaan 1432H corresponding to 19 July 2011, for the payment of goodwill for the years 2009 and 2010 amounting to SR 25.12 million and SR 28.32 million respectively. Accordingly, the company decreased its liability with respect of goodwill
by SR 53.44 million.

2. BASIS OF PREPARATION

Basis of measurement

The financial statements are prepared under the historical cost convention except measurement of available for sale investment.

Statement of compliance

The Company has prepared these financial statements in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, 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.

Basis of presentation

As required by Saudi Arabian insurance regulations, the Company maintains separate accounts for Insurance Operations and Shareholders' Operations. Assets, liabilities, income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses of joint operations is determined by the management and approved by the Board of Directors.

As per the bye-laws of the Company, surplus arising from the Insurance Operations is distributed as follows:

Transfer to Shareholders' operations	90%
Transfer to Policyholders' operations	10%
	100%

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals (SR). The financial statement values are presented in Saudi Riyals, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Insurance contracts

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

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.

Insurance contracts are principally divided into marine, property, motor, engineering and accident and liability and are principally short term insurance contracts.

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

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). For property insurance contracts, the main risks are fire, business interruption and burglary.

Motor insurance is designed to compensate contract holders for damages suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for fire or theft of their vehicles. In Saudi Arabia, it is compulsory for all vehicles to have minimum third party cover. The Company also issues comprehensive motor policies. Such motor policies cover damages to vehicles due to storm, tempest, flood, fire, theft and personal accident.

Accident insurance includes money insurance, fidelity guarantee insurance, business all risk insurance, business travel insurance and exhibition insurance. Liability insurance includes general third-party liability, product liability, workmen's compensation/employer's liability and professional indemnity cover protecting the insured's legal liability arising out of acts of negligence during their business operations.

Engineering insurance covers two principal types (a) "Contractors all risk" insurance offering cover during erection or construction of buildings or civil engineering works such as houses, shops, blocks of flats, factory buildings, roads, buildings, roads, bridges, sewage works and reservoirs. (b) "Erection all risk" insurance offering cover during the erection or installation of plant and machinery such as power stations, oil refineries, chemical works, cement works, metallic structures or any factory with plant and machinery. The Engineering line of business also includes machinery breakdown insurance and electronic equipment insurance.

Medical insurance is designed to compensate holders for expenses incurred in treatment of a disease, illness or injury. Medical insurance is primarily offered to corporate customers with a large population to be covered under the policy.

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions.

Reinsurance

In the ordinary course of business, the Company cedes insurance premiums and risk. Such reinsurance arrangements provide for greater diversification of business, allows management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts. An asset or liability is recorded in the insurance operations' statement of financial position representing premiums due to reinsurers, net of commission income which represents income earned from reinsurance companies, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Reinsurance – (continued)

The Company assesses its reinsurance assets, if any, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes the impairment loss in the statement of insurance operations and accumulated surplus. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance and other receivables. The impairment loss is also calculated following the same method used for these financial assets.

Impairment and uncollectibility of financial assets

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

for financial assets at amortized cost, the impairment loss is based on the difference between the present value of future anticipated cash flows and the carrying amount;

for financial assets at fair value, the impairment loss is based on the decline in fair value; and

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

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

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

Significant financial difficulty of the issuer or debtor;

A breach of contract, such as a default or delinquency in payments;

It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization;

The disappearance of an active market for that financial asset because of financial difficulties; or

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.

Impairment of non-financial assets

Assets that have an indefinite useful life 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).

Deferred policy acquisition costs

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

(a) Available for sale investments

Available for sale financials assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Such investments are initially recognized at cost and subsequently measured at fair value. Cumulative changes in fair value of investments are shown as a separate component in the statement of financial position and shareholders' comprehensive income. Realized gains or losses on sale of these investments are reported in the related statements of insurance operations and accumulated surplus or shareholders' operations. Dividends, commission income and foreign currency gain/loss on available for sale investments are recognized in the statement of shareholders' comprehensive operations.

Any permanent decline in value of investments is adjusted for and reported in the related statements of insurance operations or shareholders' operations as impairment charges.

Fair values of investments are based on quoted prices for marketable securities. The fair value of commission-bearing items is estimated based on discounted cash flows using commission for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

(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' operations or statement of insurance operations and accumulated surplus when the investment is derecognized or impaired.

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

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and short term deposits with an original maturity of less than three months at the date of acquisition.

Goodwill

Purchase price paid in excess of fair value of net assets is considered as goodwill. Goodwill is tested for impairment by management at least once at the end of each financial year. Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit (or a group of cash generating units) to which the goodwill is related. When the recoverable amount of the cash-generating unit (or a group of cash generating units) is less than the carrying amount of the cash generating unit (or a group of cash generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future periods.

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 and accumulated surplus on a straight line basis based on the

following estimated useful lives:

	Years
Motor vehicles	4
Furniture and fittings	4 – 10
Computers and office equipment	4 – 10
Leasehold improvements	10

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of shareholders' operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions for obligations

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

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

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

Foreign currency translation

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

Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations and accumulated surplus initially by writing off related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision).

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

Insurance and other receivables

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of insurance operations and accumulated surplus. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. Subsequent recoveries, of amounts previously written off are credited in the statement of insurance operations and accumulated surplus. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.

End-of-service benefits

Employees' end-of-service benefits are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Labor Regulations on termination of their employment contracts. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

Revenue recognition

Recognition of premiums and commission revenue

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition – (continued)

Recognition of premiums and commission revenue – (continued)

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

§ at last three month of premiums for marine cargo business as marine cargo policies cover variable periods shorter than one year, in order to spread the premiums earned over the tenure of the insurance policies.

§ Actual number of days for other lines of business

Commission income

Commission income is recognized on an effective yield basis taking account of the principal outstanding and the commission rate applicable.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Claims

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

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

The outstanding claims are shown on a gross basis and the related share of the reinsurers is shown separately.

Salvage and subrogation reimbursements

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

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvaged vehicles or property acquired are recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the vehicle or property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can reasonably be recovered from the action against the liable third party.

De-recognition of financial instruments

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the

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

Leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and income tax

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Unearned commission income

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

Fair values of financial instruments

Financial instruments comprise cash and cash equivalents, premiums receivable, reinsurance receivables, investments, outstanding claims, reinsurance payables and certain other assets and liabilities.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of all other financial instruments are estimated using methods such as net present values of future cash flows.

Fair values of investments are based on quoted prices for marketable securities, or estimated fair values. For an unquoted equity investment, fair value is determined by reference to the market value of a similar investment or based on the expected discounted cash flows.

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.

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 accumulated surplus and statement of shareholders operations unless required or permitted by any accounting standard or interpretation.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 organized into business units based on their products and services and has three reportable operating segments as follows:

Health insurance, which covers medical costs, medicines, and all other medical services and supplies.

Motor Insurance, which provides coverage against losses and liability related to motor vehicles, excluding transport insurance.

Other classes, which covers any other classes of insurance not included above.

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

No inter-segment transactions occurred during the year. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between operating segments which will then be eliminated at the level of financial statements of the Company.

New IFRS, IFRIC and amendments thereof, adopted by the Company

IASB has issued the following new and amended IFRS and International Financial Reporting Interpretations Committee interpretations (IFRIC). This note details (a) new standards and amendments effective for the first time for periods on or after January 1, 2011; (b) improvements to IFRSs; and (c) forthcoming requirements that is, new standards and amendments issued and effective after 1 January 2011.

(a) New standards and amendments

Standard/ Interpretation	Description	Effective date
IAS 1	Presentation of Financial Statements	1 January 2011
IAS 24	Related Party Transactions (Revised)	1 January 2011
IAS 32	Amendments to IAS 32 Classification of Rights Issues	1 February 2010
IAS 34	Interim Financial Reporting	1 January 2011
IFRS 1	First Time Adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
IFRS 7	Amendment to IFRS 7 Financial Instruments: Disclosure	1 July 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instrument	1 July 2010

The accounting policies used in preparation of these financial statements are consistent with those of the previous financial year and the adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

IASB has issued the following new and amended IFRS and IFRIC interpretations that are not yet effective:

Standard/ Interpretation	Description	Effective date
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 1	Amendments to IAS 1 Presentation of financial statements	1 July 2012
IAS 12	Amendments to Income taxes – Deferred taxes: Recovery of underlying assets	1 January 2012
IAS 19	Amendments to IAS 19 Employee benefits	1 January 2013

Adoption of the relevant standards and interpretations applicable to the Company would result in some additional disclosures and changes in certain classifications in the financial statements. However, the Company does not expect any significant impact on its financial position or performance from such adoption.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, 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.

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 date of statement of financial position, for which the insured event has occurred prior to the date of statement of financial position. 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 acquisition costs

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

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5. CASH AND CASH EQUIVALENTS

	2011	2010
	SR'000	SR'000
Insurance operations		
Cash at banks	153,556	74,601
Short term deposits	57,352	129,709
	210,908	204,310
Shareholders' operations		
Cash in hand and at banks	136,135	570
Short term deposits	45,645	20,000
	181,780	20,570

Cash at banks are placed with counterparties who have good credit ratings.

The carrying amounts disclosed above reasonably approximate fair value at the statement of financial position date.

6. AVAILABLE FOR SALE INVESTMENTS

Insurance operations

Available for sale investments at local banks represent units in investment funds listed in Tadawul whereas the investment with foreign banks are listed in international stock exchanges. The unrealized gain of SR 0.46 million as at 31 December 2011 (31 December 2010: SR 0.58 million) was credited to the surplus from insurance operations as available for sale reserve.

Movement in available for sale investments have summarized below:

As at 31 December 2011	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of year
	SR'000	SR'000	SR'000	SR'000
Investments in equity shares	14,903	(6,888)	383	8,398
Investments in mutual funds	3,463	16,537	77	20,077
Investments in bonds	8,787	(8,787)	-	-
	27,153	862	460	28,475

As at 31 December 2010	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investments in equity shares	-	14,557	346	14,903
Investments in mutual funds	30,326	(26,994)	131	3,463
Investments in bonds	-	8,693	94	8,787
	30,326	(3,744)	571	27,153

6. AVAILABLE FOR SALE INVESTMENTS – (continued)

Shareholders' operations

	2011	2010
	SR'000	SR'000
Quoted securities	15,527	71,610
Unquoted securities	1,923	1,923
	17,450	73,533

Available for sale – quoted securities

As at 31 December 2011	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in money market fund managed by Caam Saudi Fransi	51,699	(51,699)	-	-
Investment in Al Qandeel fund managed by Caam Saudi Fransi	19,911	(19,911)	-	-
Investment in equities managed by Audi Capital	-	15,122	405	15,527
	71,610	(56,488)	405	15,527

As at 31 December 2010	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in money market fund managed by Caam Saudi Fransi	111,001	(59,956)	654	51,699
Investment in Al Qandeel fund managed by Caam Saudi Fransi	19,923	-	(12)	19,911
	130,924	(59,956)	642	71,610

The unrealized loss of SR 0.41 million as at 31 December 2011 (31 December 2010: Gain SR 0.71 million) was credit to the statement of changes in shareholders' equity as available for sale investments reserve.

Available for sale – unquoted securities

As at 31 December 2011	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
	1,923	-	-	1,923

As at 31 December 2010	Balance at the beginning of the year	Movement during the year	Change in fair value for the year	Balance at the end of the year
	SR'000	SR'000	SR'000	SR'000
Investment in local company	1,923	-	-	1,923
	1,923	-	-	1,923

7. HELD to Maturity Investments

Insurance operations

The held to maturity investments represent security instruments with fixed interest rate with 4 - 5 year time horizon yielding an effective interest rate ranging from 2.40 - 4.25% (31 December 2010: 4.875%) on an annual basis. The company has purchased security for SR 5.36 million (31 December 2010: SR 4.86 million).

Shareholders' operations

The held to maturity investments represent security instruments with fixed interest rate with 3 – 5 year time horizon yielding an effective interest rate ranging from 2.5% to 3.5% (31 December 2010: 3.75% to 4.75%) on an annual basis. During the period, the company purchased Bank Aljazira bonds for SAR 5 million and SBG Sukuk bonds SR 1.95 million which carries zero interest. The book value of the securities, net of amortization is SR 19.47 million
(31 December 2010: SR 17.47 million).

8. PREMIUMS RECEIVABLE

	2011 SR'000	2010 SR'000
Due from policyholders	178,408	137,083
Due from related parties	229,617	257,584
Doubtful debt provision	(26,970)	(31,541)
	381,055	363,126

		Past due but not fully impaired		
31 December 2011	Less than 90 days	91 to 180 days	More than 180 days	Total
Amount in SR '000				
Premiums receivable	106,996	26,318	45,094	178,408
Premiums receivable – related parties	209,234	19,286	1,097	229,617
Provision for doubtful debts	-	(6,841)	(20,129)	(26,970)
Premiums receivable, net	316,230	38,763	26,062	381,055

		Past due but not fully impaired		
31 December 2010	Less than 90 days	91 to 180 days	More than 180 days	Total
Amount in SR '000				
Premiums receivables	81,859	10,813	44,411	137,083
Premiums receivables – related parties	196,084	61,239	261	257,584
Provision for doubtful debts	-	(10,808)	(20,733)	(31,541)
Premiums receivable, net	277,943	61,244	23,939	363,126

Movement in provision for doubtful debts is as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	31,541	29,041
Provision provided during the year	-	2,500
Release of provision during the year	(4,571)	-
Balance at the end of the year	26,970	31,541

Unimpaired 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 is, therefore, unsecured. In respect of premiums receivable, the five largest customer balances accounted for approximately 64.95% of this balance as at 31 December 2011 (2010: 64.29%). Receivables comprise a large number of customers and insurance companies mainly within the Kingdom of Saudi Arabia.

9. REINSURANCE RECEIVABLE

	2011 SR '000'	2010 SR '000'
Reinsurance receivables	12,008	26,905
Doubtful debt provision	(3,165)	(4,322)
	8,843	22,583

10. DEFERRED ACQUISITION COST

	2011 SR '000'	2010 SR '000'
As at 1 January	7,898	12,825
Cost incurred during the year	22,778	24,858
Charge for the year	(21,214)	(29,785)
As at 31 December	9,462	7,898

11. PREPAYMENTS AND OTHER RECEIVABLES

	2011 SR '000'	2010 SR '000'
Deferred TPA fee	3,767	3,767
Prepaid expenses	5,097	4,070
Accrued interest	20	80
Advances to hospitals	39,320	17,368
Other	11,959	3,761
	60,163	29,046

12. PROPERTY AND EQUIPMENT

Insurance Operations

	Motor Vehicles SR'000	Furniture & fittings SR'000	Computers & office equipment SR'000	Leasehold Improvements SR'000	Total SR'000
Cost:					
At the beginning of the year	70	2,542	3,689	265	6,566
Additions	78	2,570	1,729	1,755	6,132
Closing balance	148	5,112	5,418	2,020	12,698
Depreciation:					
At the beginning of the year	19	416	1,137	74	1,646
Charge for the year	15	796	1,073	626	2,510
Closing balance	34	1,212	2,210	700	4,156
Net book value:					
At 31 December 2011	114	3,900	3,208	1,320	8,542
At 31 December 2010	51	2,126	2,552	191	4,920

13. UNEARNED COMMISSION INCOME

	2011 SR '000'	2010 SR '000'
As at 1 January	18,444	20,786
Commission received during the year	31,669	37,531
Commission earned during the year	(35,032)	(39,873)
As at 31 December	15,081	18,444

14. MOVEMENT IN UNEARNED PREMIUM

	2011 'SR '000	2010 'SR '000
Gross unearned premium as at 1 January	312,947	336,752
Premium deficiency reserve as at 1 January	1,530	637
Gross unearned premium as at 31 December	(402,856)	(312,947)
Premium deficiency reserve as at 31 December	(1,530)	(1,530)
Movement in unearned premium	(89,909)	22,912
Reinsurers' share of unearned premium as at 1 January	(108,342)	(101,105)
Reinsurers' share of unearned premium as at 31 December	83,450	108,342
Movement in reinsurance share of unearned premiums	(24,892)	7,237
Movement in unearned premiums, net	(114,801)	30,149

15. CLAIMS

	2011 SR'000	2010 SR'000
Gross claims paid	669,699	593,315
Gross outstanding claims at the end of the year	258,198	224,450
	927,897	817,765
Gross outstanding claims at the beginning of the year	(224,450)	(307,968)
Gross claims incurred	703,447	509,797
Reinsurance recoveries	(62,848)	(67,014)
Reinsurers' share of outstanding claims at the end of the year	(121,725)	(73,051)
	(184,573)	(140,065)
Reinsurers' share of outstanding claims at the beginning of the year	73,051	130,862
Reinsurers' share of claims	(111,522)	(9,203)
Net claims incurred	591,925	500,594

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

16. ACCRUALS AND OTHER PAYABLES

	2011	2010
	SR '000'	SR '000'
Insurance Operations		
Accrued expenses	460	665
Garages	2,000	3,876
TPA fees	4,082	12,038
Insurance brokers	2,584	2,965
Surveyor	147	804
Commission and incentives payable	11,024	25,796
CCHI fees payable	3,017	3,037
Supervision and inspection fee payable	1,326	802
Withholding tax payable	8,554	7,513
Others	19,507	17,787
	52,701	75,283

17. ZAKAT AND INCOME TAX

Zakat and Income Tax

The Zakat and income tax payable by the Company has been calculated in accordance with Zakat regulations in Kingdom of Saudi Arabia.

	2011	2010
The zakat and income tax provision for the year is based on the following:	SR '000'	SR '000'
Equity	200,000	200,000
Statutory deposit	(20,000)	(20,000)
Statutory reserves	18,862	8,963
Profit of previous years	106,876	50,229
Dividends paid	(20,000)	-
End of services benefits	2,792	1,322
Held to maturity investments	(24,828)	(22,475)
Property and equipment, net	(8,542)	(4,920)
	255,160	213,119
Profit for the year	50,666	56,647
Provision for doubtful debts	(151)	4,855
End of services benefits	4,995	1,470
Zakat base	310,670	276,091
Attributable to Saudi Shareholders @ 98%	304,457	270,569
Zakat @ 2.5%	7,611	6,764
Income tax		
Attributable to Non Saudi Shareholder @ 2%	1,110	1,259
Income tax @ 20%	222	252
Zakat and income tax	7,833	7,016

17. ZAKAT AND INCOME TAX – (continued)

The movement in the Zakat and Income tax payable is as follows:

	2011	2010
	SR'000	SR'000
Balance at the beginning of the year	12,564	5,548
Charge for the year	7,833	7,016
Paid during the year	(3,309)	-
Balance at the end of the year	17,088	12,564

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Status of assessment:

The Company has filed its zakat declarations for the years ended 31 December 2009 and 2010 and obtained restricted zakat certificates.

18. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million at year end consisting of 20 million shares of SR 10 each.

19. STATUTORY RESERVE

As required by Saudi Arabian Insurance Regulations, 20% of the net shareholders' income shall be set aside as a statutory reserve until this reserve amounts to 100% of paid capital. The reserve is not available for distribution.

20. DIVIDENDS

The general assembly held a meeting on 24 Rajab 1432 H (Corresponding to 26 June 2011) and approved the Board of Directors' proposal to distribute cash dividends of SR 1 per share to the registered shareholders as at the date of the Company's general assembly meeting.

21. STATUTORY DEPOSIT

	2011	2010
	SR'000	SR'000
Shareholders' Operations		
Statutory deposit	20,000	20,000

As required by Saudi Arabian Insurance Regulations, the Company deposited 10% of its paid up capital, amounting to SR 20 million in a bank designated by the Saudi Arabian Monetary Agency (SAMA). The company cannot withdraw this deposit without SAMA approval.

22. EARNINGS PER SHARE

Earnings per share for the period have been calculated by dividing the net income for the year by the weighted average number of issued and outstanding shares for the year.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2011	2010
	SR'000	SR'000
Insurance operations		
Employee costs	55,216	46,679
Legal and professional fees	1,411	2,298
Office rent	8,717	7,038
Provision for doubtful debts	-	4,855
Depreciation	2,510	1,198
Office expenses	2,483	2,453
Communication expenses	3,149	2,825
Vehicle expenses	115	136
Printing & stationery	2,147	1,058
Courier and postage	434	477
Electricity	261	202
Other	10,641	6,284
	87,084	75,503

Shareholders operations

	2011	2010
	SR'000	SR'000
Professional fees	480	225
Fees on unpaid goodwill	1,248	3,920
Others	326	310
	2,054	4,455

24. SEGMENTAL INFORMATION

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

Segment results do not include general and administrative expenses, and board of directors' remuneration and expenses.

Segment assets do not include insurance operations cash and cash equivalents, investments, premium receivables, reinsurance receivables, prepaid expenses and other assets, and property and equipment, net.

Segment liabilities do not include reinsurance payables, accrued expenses and other liabilities, due to shareholders' operations and employees' terminal benefits.

Operating segments

	Medical	Motor	Others	Total
	SR '000	SR '000	SR '000	SR '000
For the year ended 31 December 2011				
Insurance operations				
Gross premiums written	309,556	496,245	262,975	1,068,776
Premiums ceded	(6,135)	(992)	(224,284)	(231,411)
Excess of loss premiums	(746)	(4,158)	(1,828)	(6,732)
Net premiums written	302,675	491,095	36,863	830,633
Change in net unearned premiums	541	(116,033)	691	(114,801)
Net premiums earned	303,216	375,062	37,554	715,832
Reinsurance commission received	2,181	278	32,573	35,032
Net revenue	305,397	375,340	70,127	750,864
COSTS AND EXPENSES:				
Gross claim paid	272,324	342,568	54,807	669,699
Less: Reinsurance share	(144)	(16,960)	(45,744)	(62,848)
Net claims paid	272,180	325,608	9,063	606,851
Change in net outstanding claims	(30,510)	13,681	1,903	(14,926)
Net claims incurred	241,670	339,289	10,966	591,925
Policy acquisition cost	9,920	6,786	4,508	21,214
Net cost and expenses	251,590	346,075	15,474	613,139
Net underwriting results	53,807	29,265	54,653	137,725
Supervision and inspection fee	(1,546)	(2,480)	(1,205)	(5,231)
CCHI fees	(4,453)			(4,453)
Unallocated expenses				(87,084)
Release of doubtful debts provision and other reserves				7,087
Unallocated investment income				4,965
Surplus from insurance operations				53,009
As at 31 December 2011				
Reinsurance share of unearned premiums	2,683	259	80,508	83,450
Reinsurance share of outstanding claims	122	3,255	118,347	121,724
Deferred acquisition cost	3,782	3,756	1,924	9,462
Unallocated assets				703,348
				917,984
Unearned Premiums	114,948	195,830	92,078	402,856
Outstanding claims	45,133	82,307	130,758	258,198
Unearned commission income	755	124	14,202	15,081
Unallocated liabilities				241,849
				917,984

24. SEGMENTAL INFORMATION – (continued)

	Medical	Motor	Others	Total
	SR '000	SR '000	SR '000	SR '000
For the year ended 31 December 2010				
Insurance operations				
Gross premiums written	310,445	257,309	282,792	850,546
Premiums ceded	(5,516)	(2,070)	(247,515)	(255,101)
Excess of loss premiums	(190)	(747)	(1,709)	(2,646)
Net premiums written	304,739	254,492	33,568	592,799
Change in net unearned premiums	(22,692)	58,733	(5,892)	30,149
Net premiums earned	282,047	313,225	27,676	622,948
Reinsurance commission received	4,219	416	35,238	39,873
Net revenue	286,266	313,641	62,914	662,821
COSTS AND EXPENSES:				
Gross claim paid	278,957	255,514	58,844	593,315
Less: Reinsurance share	(20,828)	(352)	(45,834)	(67,014)
Net claims paid	258,129	255,162	13,010	526,301
Change in net outstanding claims	(1,699)	(15,480)	(8,528)	(25,707)
Net claims incurred	256,430	239,682	4,482	500,594
Policy acquisition cost	8,795	10,225	10,765	29,785
Unexpired risk reserve	-	-	1,281	1,281
Net cost and expenses	265,225	249,907	16,528	531,660
Net underwriting results	21,041	63,734	46,386	131,161
Supervision and inspection fee	(1,498)	(1,242)	(1,367)	(4,107)
CCHI fees	(3,037)			(3,037)
Unallocated expenses				(75,503)
Unallocated income				1,643
Unallocated investment income				15,775
Surplus from insurance operations				65,932
As at 31 December 2010				
Reinsurance share of unearned premiums	2,085	360	105,897	108,342
Reinsurance share of outstanding claims	24	640	72,387	73,051
Deferred acquisition cost	61	3,870	3,967	7,898
Unallocated assets	-	-	-	690,408
				879,699
Unearned Premiums	114,892	79,898	118,157	312,947
Outstanding claims	75,545	66,010	82,895	224,450
Unearned commission income	1,965	-	16,476	18,441
Unallocated liabilities	-	-	-	323,861
				879,699

25. RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the year.

Related party	Nature of transactions	Amount of transaction For the year ended		Balance as of	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010
		SR'000	SR'000	SR'000	SR'000
Insurance Operations					
UCA Bahrain B.S.C (c)	Transfer of available for sale investments	19,029	-	-	34,409
	Funds received	(53,438)			
Shareholders					
Saudi Bin Laden – Group	Premium	390,072	330,039		
	Payments and claims	(412,102)	(267,323)	215,804	237,834
Rashed Al Rashed – Group	Premium	21,986	21,098		
	Payments and claims	(28,796)	(16,194)	9,591	16,401
Saudi Import Company	Premium	11,162	9,952		
	Payments and claims	(10,323)	(9,249)	4,189	3,350
Al Faisaliah Group	Premium	2,104	-		
	Payments and claims	(2,071)	-	33	-
Key management personnel	Remuneration and related expenses	3,759	3,399	-	-
Shareholders Operations					
UCA Bahrain B.S.C (c)	Goodwill payable	53,438	78,400	24,962	78,400
Najm for insurance services	Expenses	-	-	230	230
Board members	Board of directors remunerations	912	1,036	-	-

26. GEOGRAPHICAL DISTRIBUTION

\Most of the Company's assets and liabilities are located in the Kingdom of Saudi Arabia except for the below foreign investments and short term deposits.

		2011	2010
Type of Investments	Location		
		SR, 000	SR, 000
Investments in equity shares	Africa	136	145
Investments in equity shares	Europe	-	658
Investments in equity shares	Middle east	689	13,882
Investments in equity shares	USA	-	219
Investments in mutual fund	Europe	-	63
Investments in mutual fund	Middle east	-	383
Investments in mutual fund	USA	-	2,878
Investments in bonds	Middle east	6,169	7,650
Investments in bonds	USA	-	1,136
Short term deposits	Europe	-	1,452
Short term deposits	Middle east	87,998	128,260
		94,992	156,726

The above investments were held and placed outside Saudi Arabia as at the financial position date.

All the above will be liquidated during the subsequent period and be placed in the Kingdom of Saudi Arabia.

27. 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, credit, liquidity, foreign currency, commission rate, and market 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 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 Function

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

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

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

Insurance risk management

The 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 and 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 were 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 creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. 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.

27. RISK MANAGEMENT – (continued)

Frequency and Severity of Claims

The frequency and severity of claims can be affected by several factors. The Company underwrites mainly medical, motor, fire and burglary, general accident and marine classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Fire and Burglary

Fire and burglary insurance contracts, with the main peril being fire damage and other allied perils resulting there from, are underwritten either on replacement value or an indemnity 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 treaties.

Motor

For motor insurance contracts, the main elements of risk are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles. The Company has a concentration in motor insurance which accounts for 39 % of gross written premium.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims. This risk is covered by per occurrence excess of loss treaties that also covers involvement of more than one vehicle in an accident.

General Accident and Workmen's Compensation

For miscellaneous accident classes of insurance such as loss of money, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The extent of loss or damage and the potential court

awards for liability classes are the main factors that influence the level of claims.

Marine

In marine insurance the main risk elements are loss or damage to insured cargo and hull 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.

The insurance risks mainly emanate from Saudi Arabia. An arrangement has been made with reinsurers through proportional treaties.

Concentration of insurance risk

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

Medical

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across the industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions, 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 of 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 30,000.

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.

27. 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 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.

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

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

31 December 2011

	Insurance operations	Shareholders operations
	SR '000	SR '000
Cash and cash equivalents	210,908	181,780
Investments	33,836	36,917
Premiums and insurance balances receivable	389,898	-
Reinsurers' share of unearned premium	83,450	-
Reinsurers' share of outstanding claims	121,724	-
Prepayments and other receivables	60,163	105
	899,979	218,802

31 December 2010

	Insurance operations	Shareholders operations
	SR '000	SR '000
Cash and cash equivalents	204,310	20,570
Time deposits	-	58,760
Investments	32,014	91,005
Premiums and insurance balances receivable	385,709	-
Reinsurers' share of unearned premium	108,342	-
Reinsurers' share of outstanding claims	73,051	-
Due from related party	34,409	-
Prepayments and other receivables	29,046	380
	866,881	170,715

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 monthly 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.

27. RISK MANAGEMENT – (continued)

Maturity profiles

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

31 December 2011

	Up to one year	More than one year	Total
	SR '000	SR' 000	SR' 000
Insurance Operations' Financial Liabilities			
Reinsurance balances payable	96,842	9,255	106,097
Accrued expenses and other liabilities	52,701	-	52,701
Gross outstanding claims	258,198	-	258,198
	407,741	9,255	416,996
Shareholders' Financial Liabilities			
Accrued expenses and other liabilities	5,540	-	5,540
	5,540	-	5,540
Total Financial Liabilities	413,281	9,255	422,536

31 December 2010

	Up to one year	More than one year	Total
	SR '000	SR' 000	SR' 000
Insurance Operations' Financial Liabilities			
Reinsurance balances payable	98,244	-	98,244
Accrued expenses and other liabilities	75,283	-	75,283
Gross outstanding claims	224,450	-	224,450
	397,977	-	397,977
Shareholders' Financial Liabilities			
Accrued expenses and other liabilities	4,345	-	4,345
	4,345	-	4,345
Total Financial Liabilities	402,322	-	402,322

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.

27. RISK MANAGEMENT – (continued)

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 principal transactions are carried out in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

31 December 2011

	SR	US Dollar	Total
	SR '000	SR' 000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	63,048	147,860	210,908
Investments	28,110	5,726	33,836
Premiums and insurance balances receivable	389,898	-	389,898
Reinsurance receivable	8,843	-	8,843
Reinsurers' share of unearned premium	83,450	-	83,450
Reinsurers' share of outstanding claims	121,724	-	121,724
Prepayments and other receivables	60,163	-	60,163
TOTAL INSURANCE OPERATIONS' ASSETS	755,236	153,586	908,822
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	46,073	135,707	181,780
Investments	24,402	12,515	36,917
TOTAL SHAREHOLDERS ASSETS	70,475	148,222	218,697
TOTAL ASSETS	825,711	301,808	1,127,519

31 December 2010

	SR	US Dollar	Total
	SR '000	SR' 000	SR '000
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	31,467	172,843	204,310
Time deposits	-	-	-
Investments	5,000	27,014	32,014
Premiums and insurance balances receivable	363,126	-	363,126
Reinsurance receivable	22,583	-	22,583
Reinsurers' share of unearned premium	108,342	-	108,342
Reinsurers' share of outstanding claims	73,051	-	73,051
Prepayments and other receivables	32,167	-	32,167
TOTAL INSURANCE OPERATIONS' ASSETS	635,736	199,857	835,593
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	20,521	49	20,570
Time Deposits	-	58,760	58,760
Investments	91,005	-	91,005
TOTAL SHAREHOLDERS ASSETS	111,526	58,809	170,335
TOTAL ASSETS	747,262	258,666	1,005,928

27. RISK MANAGEMENT – (continued)

Foreign currency risk – (continued)

31 December 2011

	SR	US Dollar	Total
	SR '000	SR '000	SR '000
INSURANCE OPERATIONS' LIABILITIES			
Reinsurance balances payable	106,097	-	106,097
Accrued expenses and other liabilities	52,701	-	52,701
Gross outstanding claims	258,198	-	258,198
	416,996	-	416,996
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	5,540	-	5,540
TOTAL SHAREHOLDERS' LIABILITIES	5,540	-	5,540
TOTAL LIABILITIES	422,536	-	422,536

31 December 2010

	SR	US Dollar	Total
	SR '000	SR '000	SR '000
INSURANCE OPERATIONS' LIABILITIES			
Reinsurance balances payable	98,244	-	98,244
Accrued expenses and other liabilities	78,405	-	78,405
Gross outstanding claims	224,450	-	224,450
	401,099	-	401,099
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities	4,345	-	4,345
TOTAL SHAREHOLDERS' LIABILITIES	4,345	-	4,345
TOTAL LIABILITIES	405,444	-	405,444

27. RISK MANAGEMENT – (continued)

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 investments, cash and cash equivalents, and 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, based on the floating rate financial assets and financial liabilities held as at December 31:

	Change in basis points	Effect on comprehensive income for the year
		SR'000
2011	50	+/- 440
2010	50	+/- 4,032

i) 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.

These investments are managed by a professional fund manager in accordance with the guidelines approved by the Board of Directors.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2011

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Insurance operations	28,339	-	-	28,339
Shareholders' operations	15,527	-	1,923	17,450
	43,866	-	1,923	45,789

As at 31 December 2010

	Level 1	Level 2	Level 3	Total
Available for sale Investments				
Equity securities:				
Insurance operations	18,365	-	-	18,365
Shareholders' operations	71,610	-	1,923	73,533
Debt securities:				
Insurance operations	8,786	-	-	8,786
	98,761	-	1,923	100,684

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.

27. RISK MANAGEMENT – (continued)

Capital management

Capital requirements are set and regulated by the Saudi Arabian Monetary Agency. 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.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the board of directors on 18 February 2012 corresponding to 26 Rabi Al-Awal 1433H.