

RIGHTS ISSUE PROSPECTUS

Saudi United Cooperative Insurance Company

A Saudi joint stock company, established in accordance with Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 09/10/2006G) and the Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) with Commercial Registration No. 2051034982, dated 19/06/1428H (corresponding to 05/07/2007G).

Offering of 20 million shares through a rights issue at a total nominal value of SAR 200 million, representing an increase of 100% of the Company's current Share Capital).



First Offering Period: From Tuesday 16/07/1436H (corresponding to 05/05/2015G) to Thursday 25/07/1436H (corresponding to 14/05/2015G)

Second Offering Period: From Sunday 28/07/1436H (corresponding to 17/05/2015G) to Tuesday 01/08/1436H (corresponding to 19/05/2015G)

Saudi United Cooperative Insurance Company ("Wala'a" or the "Company") is a Saudi joint stock company established in accordance with Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) and the Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 09/10/2006G) with Commercial Registration No. 2051034982, dated 19/06/1428H (corresponding to 05/07/2007G) issued from Al Khobar, Saudi Arabia. The current Share Capital of the Company is SAR 200,000,000 consisting of 20,000,000 Ordinary Shares ("the Shares") with a nominal value of SAR 10 each (the "Existing Shares" with each is an "Existing Share"), all of which are fully paid.

The Board of Directors recommended in its meeting convened on 01/07/1435H (corresponding to 30/04/2014G) to increase the Company's Share Capital from SAR 200,000,000 to SAR 400,000,000 after obtaining the necessary regulatory approvals. Further, the Board issued a resolution on 02/04/1436H (corresponding to 22/01/2015G) recommending to define the share premium at SAR 40,000,000, so that the value of the Company's right issue will be SAR 240,000,000. The Company's Extraordinary General Meeting held on Monday 08/07/1436H (corresponding to 27/04/2015G), has approved the Board of Director's recommendation to increase the Share Capital.

The rights issue (the "Offering") consists of the issuance of 20,000,000 Ordinary New Shares (the "New Shares" or "Offer Shares") at an Offer Price of SAR 12 per share to increase the Company's Share Capital from SAR 200,000,000 to SAR 400,000,000, representing an increase of 100% of the current Share Capital.

The Offering will comprise tradable securities (referred to collectively as the "Rights" and each a "Right") to Shareholders registered in the Company's Shareholders Register as at the close of trading on the date of the EGM being Monday 08/07/1436H (corresponding to 27/04/2015G), (the "Eligibility Date"). Each Shareholder is referred to as ("Registered Shareholder") and 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 one (1) Right for every one share held as of the Eligibility Date. Each Right grants its holder the eligibility to subscribe for one New Share at the Offer Price. The Major Shareholder of the Company, International General Insurance (IGI) Underwriting Company, is registered in the Hashemite Kingdom of Jordan and holds 10.5% of the Company Shares.

Registered Shareholders and other investors (institutional and individuals) may trade the Rights on the Saudi Stock Exchange ("Tadawul" or the "Exchange") during the period from Tuesday 16/07/1436H (corresponding to 05/05/2015G), until the close of trading on Thursday 25/07/1436H (corresponding to 14/05/2015G), (the "Trading Period").

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

- First Offering Period (Phase 1):** From Tuesday 16/07/1436H (corresponding to 05/05/2015G), until the end of the day on Thursday 25/07/1436H (corresponding to 14/05/2015G), (the "First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering Period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.
- Second Offering Period (Phase 2):** From Sunday 28/07/1436H (corresponding to 17/05/2015G), until the end of the day on Tuesday 01/08/1436H (corresponding to 19/05/2015G), (the "Second Offering Period"), during which all Right holders

whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. The Rights may not be traded during this period.

Subscription Application Forms may be submitted during both the First Offering Period and Second Offering Period at any of the branches of the Receiving Agents (the "Receiving Agents") listed in pages (x) of this Prospectus. In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the "Rump Shares"), they will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday 06/08/1436H (corresponding to 24/05/2015G), until the following day at 10:00 AM on Monday 07/08/1436H (corresponding to 25/05/2015G). This offering will be referred to as the ("Rump Offering"). The Rump Shares will be allocated to the Institutional Investors in order of the price of the offers with the highest first until all of the Rump Shares have been allocated (providing that such a price shall not be less than the Offer Price), 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. All proceeds resulting from the sale of the Rump Shares 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 17/08/1436H (corresponding to 04/06/2015G).

In the event that any Rump Shares are not purchased by the Institutional Investors, such shares will be allocated to the Underwriter, who will purchase the same at the Offer Price (please see section 18 "Subscription Terms and Conditions"). After the completion of the Offering, the Company's Share Capital will become SAR 400,000,000 (divided into 40,000,000 Shares). The net proceeds of the Offering will be mainly utilized to meet company's financial solvency requirements (Please see section 9 "Use of Proceeds"). The final allocation will be announced on Wednesday 09/08/1436H (corresponding to 27/05/2015G) at the latest ("Allocation Date") (Please see section 18 "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 ("the Shareholder") with at least twenty (20) Shares has the right to attend and vote at the general assembly meetings (each a "General Assembly Meeting") of the Company. The New Shares will be entitled to receive their portion of any dividends declared by the Company, if any, after they are issued and in respect of subsequent financial years (Please see section 8 "Dividend Policy" and section 2 "Risk Factors").

The Company listed 20,000,000 shares on 02/07/1428H (corresponding to 17/07/2007G) on Tadawul. The founding shareholders subscribed for 60% of the Company's Share Capital while the remaining 40% had been offered to the Public through an IPO.

Currently, the Company's existing Shares are traded on Tadawul. The Company has made an application to the Capital Market Authority in the Kingdom of Saudi Arabia for the admission and listing of the New Shares and this Prospectus has been approved. All requirements to carry out this issuance have been fulfilled and all necessary regulatory approvals have been obtained. Trading in the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares (see Section "Key Dates for Subscribers"). Following the commencement of trading in the Shares, Saudi nationals and residents, GCC nationals, Saudi companies, banks and funds, GCC companies and establishments, foreign investors from outside the Kingdom (through swap agreements) will be allowed to trade in the Shares. This Prospectus should be read in full and the "Important Notice" and "Risk Factors" sections of this Prospectus should be analyzed carefully by all eligible investors prior to making a decision to invest in the New Shares offered hereby.

Financial Advisor, Lead Manager and Lead Underwriter



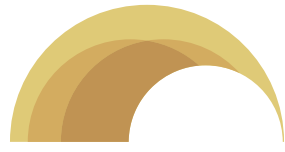
Receiving Agents



This Prospectus includes information given in compliance with the Listing Rules (the "Listing Rules") issued by the CMA in the Kingdom of Saudi Arabia. The Directors, whose names appear on page (v) 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 unofficial English language translation of the official Arabic language Prospectus is provided for information purposes only. The Arabic language Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts.

This Prospectus is dated 08/07/1436H (corresponding to 27/04/2015G)



Wala'a ولاء

الشركة السعودية المتحدة للتأمين التعاوني
(شركة مساهمة سعودية)

Important Notice

This Prospectus provides details of information relating to Saudi United Cooperative Insurance Company and the offered New Shares. When applying for the New Shares, Subscribers will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, Lead Manager and Receiving Agents or by visiting the Capital Market Authority's website (www.cma.org.sa) or the website of Aljazira Capital Company (www.aljaziracapital.com.sa)

The Company has appointed Aljazira Capital Company ("Aljazira Capital") to act as the Financial Advisor, Lead Manager and Underwriter in relation to the Offering of the Offer Shares referred to herein.

This Prospectus includes information given in compliance with the Listing Rules of the Capital Market Authority ("CMA"). The Directors, whose names appear on page (v), 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. Neither CMA nor 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 Directors, Founding Shareholders, Financial Advisor, or the Company's advisors, whose names appear on page (viii) of this Prospectus (the "Advisors"), have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified, and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at 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 Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial 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 directed at the Registered Shareholders and other investors (institutional and individuals) during the period from Tuesday 16/07/1436H (corresponding to 05/05/2015G), until the end of trading on the day of Thursday 25/07/1436H (corresponding to 14/05/2015G) provided that the subscription in the New Shares shall be carried out through two phases:

First Offering Period (Phase 1): From Tuesday 16/07/1436H (corresponding to 05/05/2015G), until the end of the day on Thursday 25/07/1436H (corresponding to 14/05/2015G), (the "First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.

Second Offering Period (Phase 2): From Sunday 28/07/1436H (corresponding to 17/05/2015G), until the end of the day on Tuesday 01/08/1436H (corresponding to 19/05/2015G), (the "Second Offering Period"), during which all Rights' holders whether Registered Shareholders or purchasers of Rights during the Trading Period (referred to collectively as "Eligible Persons", and each an "Eligible Person"), may exercise their Rights to subscribe. No trading of Rights shall take place in this period.

In the event that any Shares remain unsubscribed for after the First Offering Period and the Second Offering Period (the “Remaining Shares”), they will be offered to a number of institutional investors (referred to as “Institutional Investors”), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday 06/08/1436H (corresponding to 24/05/2015G), until the following day at 10:00 AM on Monday 07/08/1436H (corresponding to 25/05/2015G). This offering will be referred to as the “Rump Offering”. 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 offers at the same price. Fractional Shares (the “Fractional Shares”) will be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares and the 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 17/08/1436H (corresponding to 04/06/2015G).

The rights issue under this Prospectus depends on the approval of the Shareholders. A call for convening of an Extraordinary General Assembly of Shareholders on Monday 08/07/1436H (corresponding to 27/04/2015G) has been published to approve the rights issue. Shareholders shall note that if they do not approve the rights issue of the shares, the rights issue will stop automatically, and at that time this Prospectus will be considered null and shareholders will be notified accordingly.

Industry and Market Data

In this Prospectus, information and data regarding Saudi economy and insurance industry have been obtained from different sources believed to be reliable. The Company has exerted reasonable efforts to verify correctness of such information. While neither the Company nor its Directors 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. The referenced sources include:

Saudi Insurance Market Survey Report (2013G) issued by the Saudi Arabian Monetary Agency (SAMA)

Saudi Arabian Monetary Agency
Maathar Street - Riyadh
P.O. Box 2992, Riyadh 11169
Saudi Arabia
Tel: +966 11 4633000
Fax: +966 11 4663966
Website: www.sama.gov.sa



SAMA, the central bank of the Kingdom of Saudi Arabia, was established in 1372H (1952G).

The main Functions of SAMA include:

- Issuing the national currency, the Saudi Riyal;
- Acting as a banker to the government;
- 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;
- Supervising commercial banks and insurance companies.

The information obtained from SAMA and used in this Prospectus is publicly available and obtainable from internet; therefore, no consent has been obtained to use such information.

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. Swiss Re issues reports on insurance sector all over the world and these reports are available for public in its website. The information obtained from Swiss Re is publicly available and obtainable from internet therefore no consent has been pursued to use such information.

Financial Information

The audited financial statements for fiscal years 2011G, 2012G and 2013G as well as the notes thereto, in addition to the interim financial statements for the periods ended 30 September 2013G and 2014G as well as the notes thereto have been prepared in conformity with the standards issued by the International Financial Reporting Standards (IFRS), not in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The Company ascertains that there is no material difference or financial impact on the financial statements as a result of preparing them based on IFRS. Audit of financial statements has been conducted by Ernst & Young and Deloitte & Touche Bakr Abulkhair & Co. for the year 2011G, by Ernst & Young and PricewaterhouseCoopers for the year 2012G and by Deloitte & Touche Bakr Abulkhair & Co. and PricewaterhouseCoopers for the year 2013G. The Company publishes 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 stated assumptions. These forecasts are related to the Company's business plan for the years 2014G-2018G and have been prepared by the Company's Senior Management and approved by SAMA. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms that the statements made in this Prospectus are based on due care.

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 published and before and before the admission of the New Shares to listing, 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

Board Members (Directors)

Name	Post	Representing	Nationality	Age	Capacity	Shareholding					Date of Appointment	
						Direct	%	Indirect	%	Total		
Sulaiman Abdullah Hamad Al-Qadi	Chairman	-	Saudi	77	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Abdullah Mohammed Abdullah Al-Othman	Member	-	Saudi	42	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Walid Mohammed Abdullah Al-Jaafari	Member	-	Saudi	53	Independent	240,000	1.2%	None	None	240,000	1.2%	6/5/2007G
Jameel Abdullah Abdul Aziz Al Molhem	Member	-	Saudi	43	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Hassan Isam Mohammad Al-Kabbani	Member	-	Saudi	47	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Dr. Solaiman Abdul Aziz Saleh Al-Twaljiri	Member	-	Saudi	49	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Abdul Aziz Saleh Abdullah Al-Rebdi	Member	-	Saudi	52	Independent	1,000	0.005%	None	None	1,000	0.005%	24/1/2009G
Khalid Abdul Rahman Saleh Al-Rajhi	Member	Abdul Rahman Saleh Al-Rajhi and Partners Co.	Saudi	42	Non-Executive	1,000	0.005%	200	0.001%	1,200	0.006%	27/06/2010G
Walid Suhail Abdul Miihsen Al-Shoaibi	Member	Suhail Abdul Miihsen Al-Shoaibi and Sons Holding Co.	Saudi	52	Non-Executive	None	None	10,000	0.05%	10,000	0.05%	8/3/2011G
Wasif Saleem Abdul Rahman Al-Jabsheh	Member	IGI Underwriting Co.	Jordanian	70	Non-Executive	None	None	875,071	4.375%	875,071	4.375%	5/5/2013G

- Directors are classified as independent and non-independent. Non-independent members are reclassified into Executive and Non-Executive.
- 1000 of the shares of each represented company have been allocated to secure the membership of their representatives.
- Director Khalid Abdul Rahman Saleh Al-Rajhi holds 20% of Abdul Rahman Bin Saleh Al Rajhi & Partners Co. which in turn holds 0.005% of Wala'a shares. Therefore, the indirect ownership of Khalid Abdul Rahman Saleh Al Rajhi is 0.001% of the total shares of the Company. Director Khalid Abdul Rahman Saleh Al Rajhi holds the position of Chief Executive Officer of Abdul Rahman Bin Saleh Al Rajhi and Partners Company.
- Director Walid Suhail Abdul Miihsen Al Shoaibi holds 20% of the shares of Suhail Abdulmohsen Al Shoaibi and Sons Holding Co. which in turn holds 0.25% of Wala'a shares. Therefore, the indirect ownership of Director Walid Suhail Abdul Miihsen Al Shoaibi amounts to 0.05% of the total shares of the Company. Director Walid Suhail Abdul Miihsen Al Shoaibi holds the position of Managing Director of Suhail Abdulmohsen Al Shoaibi and Sons Holding.
- Director Wasif Saleem Abdul Rahman Al-Jabsheh holds 0.00055% of the shares of IGI Underwriting Co., which in turn holds 10.5% of Wala'a shares. Director Wasif Saleem Abdul Rahman Al-Jabsheh also holds 41.67% of IGI Holding Company, which in turn holds 99.99% of IGI Underwriting Co.. Therefore the indirect ownership of Director Wasif Saleem Abdul Rahman Al-Jabsheh amounts to about 4.375% of the total shares of the Company. Director Wasif Saleem Abdul Rahman Al-Jabsheh acts as the Chief Executive Officer of IGI Underwriting Co.

Company Address	Company Authorized Representative (1)
 <p>Wala'a ولاء</p> <p>الشركة السعودية المتحدة للتأمين التعاوني (شركة مساهمة سعودية)</p> <p>Saudi United Cooperative Insurance Company Al Rabiah and Al Nassar Building, King Abdullah Street, P.O. Box Al Khobar 31616 31952 Kingdom of Saudi Arabia Tel: +966 13 8652200 Fax: +966 13 8652255 Website: www.walaa.com E-mail: walaa@walaa.com</p>	<p>Abdullah Mohammed Abdullah Al-Othman Al Rabiah and Al Nassar Building, King Abdullah Street, P.O. Box Al Khobar 31616 31952 Kingdom of Saudi Arabia Tel: +966 13 8652200 Fax: +966 13 8652255 Website: www.walaa.com E-mail: abdullah@al-othman.com</p>
Company Authorized Representative (2)	Board secretary
<p>Johnson Chandebala G Varughese Al Rabiah and Al Nassar Building, King Abdullah Street, P.O. Box Al Khobar 31616 31952 Kingdom of Saudi Arabia Tel: +966 13 8652200 Fax: +966 13 8652255 Website: www.walaa.com E-mail: johnson@walaa.com</p>	<p>Anas Ibrahim Hussein Al-Kehayez Al Rabiah and Al Nassar Building, King Abdullah Street, P.O. Box Al Khobar 31616 31952 Kingdom of Saudi Arabia Tel: +966 13 8652200 Fax: +966 13 8652255 Website: www.walaa.com E-mail: anask@walaa.com</p>
<p>Saudi Stock Exchange (Tadawul) Abraj Atta'awuneya North Tower - 700 King Fahad Road P.O. Box 60612 Riyadh 11555 Kingdom of Saudi Arabia Tel: +966 11 218 1200 Fax: +966 11 218 1220 Website: www.tadawul.com.sa</p>	

The Company's main banks

SABB ساب

Saudi British Bank (SABB)
Prince Abdul-Aziz Ben Musa'ed bin Jalawi Street
P.O. Box 9084 Riyadh 11413
Saudi Arabia
Tel: 966 11 405 0677
Fax: 966 11 405 0660
Website: www.sabb.com
E-mail: sabb@sabb.com

 البنك السعودي للاستثمار
The Saudi Investment Bank

The Saudi Investment Bank
Maathar Street – Riyadh
P.O. Box 3533, Riyadh 11481
Tel: +966 11 478 6000
Fax: +966 11 477 6781
Website: www.saib.com.sa
E-mail: ir@saib.com.sa

NCB الأهلي 

The National Commercial Bank
King Abdul Aziz Road
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 (12) 649 3333
Fax: +966 (12) 6437426
Website: www.ncb.com.sa
E-mail: contactus@alahli.com

Advisors

Financial Advisor, Lead Manager and Underwriter

Aljazira Capital
King Fahd Road Riyadh
P.O. Box 20438, Riyadh 11455
Kingdom of Saudi Arabia
Tel: +966 11 2256000
Fax: +966 11 2256068
Website: www.aljaziracapital.com.sa
E-mail: contactus@aljaziracapital.com.sa



Legal Advisor for the Offering

Meshal Al-Akeel Law Firm
In affiliation with Hourani & Associates
Olaya Main Street - Serekon Building, 7th Floor
P.O. Box 67356, Riyadh 11596
Kingdom of Saudi Arabia
Tel: +966 11 2931234
Fax: +966 11 2930051
Website: www.houraniassociates.com
E-mail: info-ksa@houraniassociates.com



Financial Due Care Consultant

Al Bassam and Al Nemer (Allied Accountants)
Salahuddin Street, Malaz, Riyadh
P.O. Box 69658, Riyadh 11557
Kingdom of Saudi Arabia
Tel: +966 11 2395535
Fax: +966 11 2395454
Website: <http://aacpa-sa.com>
E-mail: Ibrahim.albassam@abc-albassam.com



Note: All the aforementioned Advisors/consultants have given and not withdrawn their written consent for the appearance of their names and logos and inclusion of their statements in the form and context set out in this Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company as at the date of this Prospectus.

Legal Accountants

2011G Auditors

Ernst & Young
Al Faisaliah Tower - Floors 6 ,14
P.O. Box 2732 Riyadh 11461, Kingdom of Saudi Arabia
Tel: +966 11 2734730
Fax: +966 11 2734740
Website: www.ey.com/me
E-mail: riyadh@sa.ey.com



Deloitte & Touche Bakr Abulkhair & Co
Apt Commercial Building in Al Khobar
P.O. Box 182 Dammam 31411, Kingdom of Saudi Arabia
Tel: +966 13 8873937
Fax: +966 13 8873931
Website: www.deloitte.com
E-mail: nsagga@deloitte.com



2012G Auditors

Ernst & Young
Al Faisaliah Tower - Floors 6 ,14
P.O. Box 2732 Riyadh 11461, Kingdom of Saudi Arabia
Tel: +966 11 2734730
Fax: +966 11 2734740
Website: www.ey.com/me
E-mail: riyadh@sa.ey.com



PricewaterhouseCoopers
King Faisal Charity Est. Building
P.O. Box :8282, Riyadh 11482, Kingdom of Saudi Arabia
Tel: +966 11 2110400
Fax: +966 11 2110401
Website: www.pwc.com
E-mail: hani.ashkar@sa.pwc.com



2013G Auditors

PricewaterhouseCoopers
King Faisal Charity Est. Building
P.O.Box :8282, Riyadh 11482, Kingdom of Saudi Arabia
Tel: +966 11 2110400
Fax: +966 11 2110401
Website: www.pwc.com
E-mail: hani.ashkar@sa.pwc.com



Deloitte & Touche Bakr Abulkhair & Co
Apt Commercial Building in Al Khobar
P.O. Box 182 Dammam 31411, Kingdom of Saudi Arabia
Tel: +966 13 8873937
Fax: +966 13 8873931
Website: www.deloitte.com
E-mail: nsagga@deloitte.com



Note: All the aforementioned Advisors/consultants have given and not withdrawn their written consent for the appearance of their names and logos in the form and context set out in this Prospectus; and do not themselves, or any of their relatives or affiliates have any shareholding or interest of any kind in the Company as at the date of this Prospectus.

Receiving Agents



Bank AlJazira
King Abdulaziz Road – Jeddah
P.O. Box 6277, Jeddah 21442
Kingdom of Saudi Arabia
Tel: +966 12 609 8888
Fax: +966 12 609 8881
Website: www.baj.com.sa
E-mail: info@baj.com.sa



The National Commercial Bank
King Abdul Aziz Road - Jeddah
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 12 6493333
Fax: +966 12 6437426
Website: www.alahli.com
E-mail: contactus@alahli.com



Al Rajhi Bank
Olaya Road - Riyadh
P.O. Box 28, Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 11 2116000
Fax: +966 11 4600705
Website: www.alrajhibank.com.sa
E-mail: contactcenter1@alrajhibank.com.sa



Banque Saudi Fransi
Al Maathar Street, Riyadh
P.O. Box 56006 Riyadh 11554
Kingdom of Saudi Arabia
Tel: +966 11 404 2222
Fax: +966 11 402 2311
Website: www.alfransi.com.sa
E-mail: communication@alfransi.com.sa



Saudi British Bank (SABB)
Prince Abdul-Aziz Ben Musaед bin Jalawi Street (Aldhabbab)
P.O. Box 9084 Riyadh 11413
Saudi Arabia
Tel: 966 11 405 0677
Fax: 966 11 405 0660
Website: www.sabb.com
E-mail: sabb@sabb.com



Riyad Bank
King Abdulaziz Road
P.O. Box 22622, Riyadh 11614
Kingdom of Saudi Arabia
Tel: +966 (11) 401 3030
Fax: +966 (11) 404 2618
Website: www.riyadbank.com
E-mail: customercare@riyadbank.com

Summary of the Offering

The Company	Saudi United Cooperative Insurance Company (“Wala’a”) is a Saudi joint stock company established in accordance with Royal Decree No. M/60, dated 18/09/1427H (corresponding to 11/10/2006G) and the Ministerial Resolution No. 233, dated 16/9/1427H (corresponding to 09/10/2006G) with Commercial Registration No. 2051034982, dated 19/06/1428H (corresponding to 05/07/2007G)
Summary of Company Activities	The Company is practicing, in compliance with the provisions of the Cooperative Insurance Companies Control Law, Implementing Regulations and all applicable laws and regulations in the Kingdom of Saudi Arabia, 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 and trade in fixed or current assets directly or indirectly through its wholly-owned subsidiaries or associated entities.
Substantial Shareholders	Substantial Shareholders are shareholders who own 5% or more of the Company shares. The Company has only one substantial shareholder, which is IGI Underwriting Co. (registered in the Hashemite Kingdom of Jordan), with an ownership percentage of 10.5% of the Company’s share capital prior to the Offering (2,100,000 million shares).
Strategic Partners	The Company has only one Strategic Partner, which is IGI Underwriting Co. Strategic Partners are shareholders that provide support to the Company because they possess technical, scientific and operational experience and know how in the Company’s activities enabling them to provide added value to the business, thanks to their qualitative knowledge.
Nature of Offering	Increasing Capital through issuance of new shares
Offer Price	SAR 12 per New Share
Adjusted Price	The Company’s share value in Tadawul has been adjusted to SAR 17.07 per share at the close of trading on the day of the EGM and after shareholders’ approval of Capital increase. This represents a reduction of SAR 5.06 in the share value
Company’s capital prior to the Offering	SAR 200,000,000
Total number of Existing issued Shares prior to the Offering	20,000,000 Ordinary Shares, fully paid
Nominal Value	SAR 10 per share
Total Number of Offer Shares	20,000,000 Ordinary Shares
Total number of Shares after capital increase	40,000,000 Ordinary Shares
Percentage of increase in Share Capital	100%
Price of an offered share	SAR 12 fully paid upon subscription
Premium	SAR 2
Company Capital post Offering	SAR 400,000,000
Total Offering value	SAR 240,000,000
Offering costs	SAR 10,000,000
Net Proceeds after deduction of Offering costs	SAR 230,000,000
Use of the Offering Proceeds	Gross Offering Proceeds are estimated at SAR 240,000,000. The offering expenses amounting to SAR 10,000,000 will be deducted from the Gross Offering Proceeds. These expenses include the fees of the Financial Advisor, legal advisor to the offering, reporting accountants, Receiving Agent’s expenses, marketing, printing, distribution and other Offering related expenses. The net offering proceeds will be used by the Company to meet the solvency requirements as required by the provisions of the Cooperative Insurance Companies Control Law. Shareholders will not receive any part of these proceeds (Please refer to Section 9 “Use of Proceeds” of this Prospectus).
Number of Underwritten Shares	20,000,000 Ordinary Shares
Total amount underwritten	SAR 240,000,000

Eligibility Date	Close of trading on the day of the EGM voting on the increase in the Company's capital according to the Board recommendation on Monday 08/07/1436H (corresponding to 27/04/2015G).
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the day of the EGM.
Rights Issue	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares, upon approval of the capital increase. All shareholders registered in the Company's Register at the end of the day of the EGM will be entitled to receive Rights. Each Right grants its holder eligibility to subscribe in one New Share at the Offer Price. Rights will be deposited within two days after the date of the EGM. The rights will appear in the accounts of the Registered Shareholders under a new symbol specifying the Rights Issue. The Registered Shareholders will be informed of the deposit of the Rights in their accounts.
New Shares	The Shares offered for subscription by Registered Shareholders resulting from the Capital increase of the Company
Rights Issue Ratio	1 Rights for every 1 existing Share owned by a Registered Shareholder. This ratio is the outcome of dividing the number of New Shares by the number of the Company's existing shares.
Number of Issued Rights	20,000,000 Rights
First Offering Period	From Tuesday 16/07/1436H (corresponding to 05/05/2015G), until the end of the day on Thursday 25/07/1436H (corresponding to 14/05/2015G), (the "First Offering Period"), during which only Registered Shareholders may exercise their Rights to subscribe (in whole or in part) for the New Shares up to the number of Rights deposited in their accounts after the EGM. The subscription for the New Shares will be approved, subject to the number of Rights available in the relevant account at the end of the Trading Period. The First Offering period coincides with the Trading Period during which Registered Shareholders and other investors (institutional and individuals) may trade in the Rights.
Trading Period	Will commence on Tuesday 16/07/1436H (corresponding to 05/05/2015G) and will last up to and including Thursday 25/07/1436H (corresponding to 14/05/2015G). Registered Shareholders and other investors (institutional and individuals) may trade in the Rights during this period.
Second Offering Period	From Sunday 28/07/1436H (corresponding to 17/05/2015G), until the end of the day on Tuesday 01/08/1436H (corresponding to 19/05/2015G), (the "Second Offering Period"), during which all Rights holders whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their Rights to subscribe. Offer Shares may not be traded during this period.
Subscription Procedure	<p>Eligible shareholders who have interest to subscribe to the new offered shares shall complete the application forms and submit to the branches of the Receiving Agents during business hours of the Subscription Period. Subscription Application Forms can be obtained from the Receiving Agents. The subscription amount must be paid in full upon submitting the subscription application by authoring the Receiving Agent to deduct the required amount from the subscriber's account with the Receiving Agent, or by a certified check drawn on a local bank and registered in the name of "The account of the Saudi United Cooperative Insurance Company - Rights Issue Shares" without the need for a Subscriber "Eligible Person" to have an account with the Receiving Agent.</p> <p>Subscription may be made through Internet, banking phone or ATMs to the receiving banks that provide any of such services provided that the Eligible Shareholders should have a valid banking account with a Receiving Agent that provide this service and no amendment has been introduced to data related to the subscriber (his data are up to date).</p>
Rump Shares	The New Shares which were not subscribed for during the First Offering Period and the Second Offering Period.
Rump Offering	Rump Shares will be offered to a number of institutional investors (referred to as "Institutional Investors"), provided that such Institutional Investors submit offers to purchase the Remaining Shares. Receipt of such offers will start at 10:00 AM on Sunday 06/08/1436H (corresponding to 24/05/2015G), until the following day at 10:00 AM on Monday 07/08/1436H (corresponding to 25/05/2015G). 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 (provided that the offered price shall not be less than the Offer Price), 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.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or purchasers of Rights during the trading period.

Listing of/Trading in the Rights Issue	<p>“Tadawul” is preparing mechanisms regulating the trading of the Rights in its system. A separate symbol will be given to the Company's Rights Issue (separate from the Company's trading symbol for the existing Shares on the Tadawul screen). Registered Shareholders shall have the following options during the offering and trading period of the trading of the Rights:</p> <ul style="list-style-type: none"> • Keeping the Rights as at the Eligibility Date and exercising their Rights to subscribe in the New Shares. • Selling the Rights or a part thereof through the Exchange. • Purchasing additional Rights on the Exchange. • Refraining from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe for the same. The Rump Shares resulting from not exercising the Rights or selling the same will be offered in the Rump Offering. <p>The different investors (institutional and individuals) may, during the Trading Period, purchase and sell Rights through the Exchange and (provided the Rights are held until the end of the First Offering Period) may exercise such Rights to subscribe for New Shares, only during the Second Offering Period. The “Tadawul” system will cancel the Company's Rights Issue symbol on the Tadawul screen after the end of the Trading Period. Therefore, the Rights trading will end with the end of the Trading Period.</p>
Indicative Value of the Right	<p>The indicative value of a Right reflects the difference between the Company's share market value during the Trading Period and the Offer Price.</p> <p>Tadawul will continuously calculate and publish the indicative value of a Right during the First Offering Period on its website with 5 minutes delay. The market information service providers will also publish this information. This will allow investors to be informed of the indicative value of a Right when entering the orders.</p>
Right Trading Price	<p>The price at which the Right is traded. This price is set through the market offer and demand mechanism; therefore, it may differ from the Indicative Value of the Right.</p>
Exercising the Issued Rights	<p>Eligible Persons may subscribe for New Shares by completing a Subscription Application Form and paying the relevant fee at the Receiving Agents' branches or by subscribing electronically through the Receiving Agents offering such services to Applicants. Eligible Persons may exercise their Rights as follows:</p> <ol style="list-style-type: none"> 1. During the First Offering Period, 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, subject to 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 other investors (institutional and individuals) may trade in the Rights. 2. During the Second Offering Period, all Rights' holders, whether Registered Shareholders or purchasers of Rights during the Trading Period may exercise their Rights to subscribe. No trading of Rights shall take place in this period. <p>In the event that Rights have not been exercised by Eligible Persons before the end of the Second Offering Period, the Rump Shares resulting from the unexercised Rights or failure to sell the Rights will be offered in the Rump Offering.</p>
Public	<p>In the Listing Rules, it means the persons other than the following:</p> <ol style="list-style-type: none"> 1. affiliates of the issuer; 2. substantial shareholders of the issuer; 3. directors and senior executives of the issuer; 4. directors and senior executives of affiliates of the issuer; 5. directors and senior executives of substantial shareholders of the issuer; 6. any relative of persons described at (1), (2), (3), (4) or (5) above; 7. any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or 8. persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.
Shares Allocation	<p>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 than Thursday 17/08/1436H (corresponding to 04/06/2015G). (Please see Section 18 “Subscription Terms and Conditions”).</p>

Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who did not subscribe wholly or partially for the New Shares, as well as to the holders of fractional Shares on Thursday 17/08/1436H (corresponding to 04/06/2015G) at the latest (please see "Subscription Terms and Conditions"). Compensation amounts represent remaining sale proceeds resulting from the Rump Shares and fractional Shares (in excess of the Offer Price).
Shares' Dividends	The New Shares will be entitled to receive their portion of any dividends declared by the Company for the period from the commencement of the Offering and for the following financial years. (Please refer to Section 8 "Dividends Policy")
Voting rights	The Company has only one class of Shares. No Shareholder shall have any preferential rights. Each of the Shares entitles its holder to one vote. Each Shareholder with at least 20 (twenty) shares has the right to attend and vote at the General Assembly meeting.
Risk Factors	There are certain risks relating to investment in the Offering. These risks can be generally categorized into (a) risks related to the Company; (b) risks related to the market and regulatory environment; and (c) risks related to the Ordinary Shares. These risks have been presented in the Section 2 entitled ("Risk Factors") in this Prospectus, which should be reviewed carefully before taking a decision to invest in the New Shares. (Please see section 2 "Risk Factors" in this Prospectus).
Shares trading	Trading in the Rights on Tadawul is anticipated to start immediately after final allocation of shares and completion of all formalities.
Previously listed shares	The Company has listed 20,000,000 shares in Tadawul on 17/7/2007G). The founding shareholders subscribed for 60% of the Company's Share Capital while the remaining 40% were publicly offered.
Restrictions to shares	<p>The Company's shares have been listed on Tadawul on 17/07/2007G. Therefore, the restriction period on disposition of shares had expired several years ago and there are no restrictions on the Founding Shareholders' shares. Hence, the Founding Shareholders and the Strategic Shareholder are entitled to dispose of their shares after obtaining approval of SAMA and CMA.</p> <p>Furthermore, the Founding Shareholders as well as other shareholders are subject to any restrictions on disposition of shares that may be imposed under the regulations issued by CMA or other relevant regulations and instructions.</p>
Restriction on the Rights	Except for the requirement of obtaining approval of SAMA and CMA with respect to trading of strategic shareholders in the Rights and any restrictions set forth in the Listing Rules, there is no restriction or obligation on the Company's shareholders to participate in the subscription or trading in the Rights. The Strategic Shareholders have not provided any obligation or undertaking to participate in this Subscription. In case Strategic Shareholders subscribed for the Rights, the shares purchased by them during the Rights Issue will be subject to the same restrictions that apply to the current shareholdings of the strategic shareholders.

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

Key Dates for Subscribers

Milestone	Date
EGM, setting the Eligibility Date and Registered Shareholders	on Monday 08/07/1436H (corresponding to 27/04/2015G)
First Offering Period Date and Trading in Rights	From Tuesday 16/07/1436H (corresponding to 05/05/2015G) until Thursday 25/07/1436H (corresponding to 14/05/2015G)
Second Offering Period Date	From Sunday 28/07/1436H (corresponding to 17/05/2015G) until Tuesday 01/08/1436H (corresponding to 19/05/2015G)
Offering Period End Date and deadline for submitting Subscription Applications Forms	Tuesday 01/08/1436H (corresponding to 19/05/2015G)
Rump Offering Period Date	From Sunday 06/08/1436H (corresponding to 24/05/2015G) until Monday 07/08/1436H (corresponding to 25/05/2015G)
Final Allocation Notification	on Wednesday 09/08/1436H (corresponding to 27/05/2015G)
Payment of Compensation Amounts (if any) for Eligible Persons who did not participate in the Offering and those entitled to Shares fractions	on Thursday 17/08/1436H (corresponding to 04/06/2015G)
Expected date for the commencement of trading in Offer Shares	After completing all necessary procedures. Dates will be communicated through the local newspapers and on Tadawul website.

Note: The above timetable and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Saudi Stock Exchange ("Tadawul") website www.tadawul.com.sa

Key Announcement Dates

Announcement	Announcer	Announcement Date
Announcement regarding the EGM (Eligibility Date)	Company	on Tuesday 09/07/1436H (corresponding to 28/04/2015G)
Announcement regarding the EGM outcome, including the approval of the Company's Capital increase	Company	on Tuesday 09/07/1436H (corresponding to 28/04/2015G)
Announcement regarding the change in Company's share price, shares' deposit and announcement regarding the Indicative Value of the Right	Tadawul	on Tuesday 09/07/1436H (corresponding to 28/04/2015G)
Announcement regarding the New Shares subscription periods and rights trading	Company	on Tuesday 09/07/1436H (corresponding to 28/04/2015G)
Reminder Announcement regarding the First Offering Period and the Rights Trading Period	Company	on Monday 15/07/1436H (corresponding to 04/05/2015G)
Reminder announcement of the last Trading day for the Rights Issue and the importance of selling Rights for those not willing to exercise such Rights	Tadawul	on Thursday 25/07/1436H (corresponding to 14/05/2015G)
Announcement regarding the commencement of the Second Offering Period	Company	on Sunday 28/07/1436H (corresponding to 17/05/2015G)
Reminder about the last Trading day for submitting Subscription Application Forms for the Second Offering Period	Company	on Tuesday 01/08/1436H (corresponding to 19/05/2015G)
Announcement regarding: Outcome of the First Offering Period and the Second Offering Period Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering	Company	on Thursday 03/08/1436H (corresponding to 21/05/2015G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	Company	on Wednesday 09/08/1436H (corresponding to 27/05/2015G)
Announcement regarding the deposit of New Shares in the investors' accounts	Tadawul	on Sunday 13/08/1436H (corresponding to 31/05/2015G)
Announcement regarding distribution of the compensation amounts (if any) to Eligible Persons	Company	on Thursday 17/08/1436H (corresponding to 04/06/2015G)

The above timetables and all dates therein are indicative. Actual dates will be communicated through local newspapers published in KSA as well as on Tadawul's website www.tadawul.com.sa.

How to Apply

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 First Offering Period and the Second Offering Period (as applicable) at the Receiving Agents' branches then deliver the same to any of these Receiving Agents before the end of the Second Offering period, even though they do not have an account with the receiving agent. The subscription amount must be paid in full upon submitting the subscription application by (1) authoring the Receiving Agent to deduct the required amount from the subscriber's account with the Receiving Agent to whom he submitted his application, or (2) by a certified check drawn on a local bank to the order of "The account of the Saudi United Cooperative Insurance Company - Rights Issue Shares". If a Subscriber does not have an account with the Receiving Agent, he must pay by a certified check drawn on a local bank to the order of "The account of the Saudi United Cooperative Insurance Company - Rights Issue Shares". The Subscription Application may not be cancelled after submitted to the Receiving Agent.

Subscription may be made through Internet, banking phone or ATMs to the receiving agents that provide any of such services provided that the Eligible Shareholders should have a valid banking account with a Receiving Agent that provide this service and no amendment has been introduced to data related to the subscriber (his data are up to date).

Subscription Application Forms must be completed in accordance with the instructions mentioned under section 18 "Subscription Terms and Conditions" of this Prospectus. Every subscriber must agree on complete all relevant items in 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 18 "Subscription Terms and Conditions" of this Prospectus).

FAQs about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the 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 200 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 5 (one new share for every five 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 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five 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.

Can Shareholders subscribe more than once through more than one receiving bank?

Yes, they are allowed to subscribe. However, the quantity of subscribed shares should not exceed the number of rights acquired upon end of rights trading period. Any excess in the shares subscribed over the number of rights acquired at the end of rights trading period will result in the cancellation of subscription application.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholders holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b)), then the total Rights which will be deposited (1000) Rights as each shares is eligible for (1) Rights. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

In case of subscription through more than one portfolio, where will the new shares after allocation be deposited?

Shares may be deposited in the investment portfolio mentioned in the first subscription application

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 the subscriber can subscribe for the Rights he purchased during trading period?

During the second phase only after completion of the trading period in the rights.

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

The Saudi United Cooperative Insurance Company (“Wala’a”), a Saudi joint stock company, headquartered in Al Khobar, King Abdullah Street, Rabiah & Nasser building, P.O Box 31616, Al Khobar 31952. It was incorporated under the Council of Ministers Resolution No. (233), dated 16/09/1427H (Corresponding to 9/10/2006G), and Royal Decree No. (M/60), dated 18/09/1427H (corresponding to 11/10/2006G). It is registered under Commercial Registration No. 2051034982, dated 19/06/1428H (Corresponding to 05/07/2007G) and operates in compliance with cooperative insurance principles in accordance with the Cooperative Insurance Companies Law.

The Office of the Company is located in Al Khobar, King Abdulla Street, Al Rabiah and Al Nassar building, P. O. Box 31616, Al Khobar 31952, Kingdom of Saudi Arabia. The Company conducts several types of insurance activities under the supervision of the Saudi Arabian Monetary Agency, which is the official body responsible for the application of the Insurance Control Law and its Implementing Regulations. The Company practices general and health insurance business, including motor insurance, medical and engineering insurance, medical malpractice insurance, fire insurance, marine insurance and general liability insurance according to the provisions of the Islamic law. Contrary to what is mentioned, the Company’s management does not have any intention at the present time to make any fundamental change to the main activity of the Company.

The Company’s Capital Structure

The Company’s current capital is two hundred million Saudi Riyals (SAR 200,000,000), divided into twenty million (20,000,000) shares of equal value, with a nominal value of ten Riyals (SAR 10) per share all of which are fully paid. The Founding Shareholders have subscribed for a total of 60% of the Company’s share capital, while the public subscribed for (40%) of the total shares offered for public subscription on 17/3/2007G. The Company has obtained the approval of the Saudi Arabian Monetary Agency (SAMA) to increase its capital in the amount of two hundred million (SAR 200,000,000) per letter No. 351000081751, dated 23/06/1435H (Corresponding to 23/04/2014G) through the issue of rights priority shares. Upon the completion of subscription in the new shares, the Capital will become four hundred million (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares at a nominal value of SAR 10 per share. On 01/07/1435H (Corresponding to 30/4/2014G), the Board of Directors has recommended an increase of capital to meet the Company’s solvency requirements.

The Most Significant Dates and Developments

- The Founding Shareholders obtained a license to incorporate the Company per Royal Decree No. (M / 60) dated 18/09/1427H (Corresponding to 11/10/2006G) and the Council of Ministers Resolution No. (233) dated 16/09/1427H (Corresponding to 09/10/2006G).
- The Company shares were offered for public subscription through an IPO on 27/02/1428H (Corresponding to 17/03/2007G).
- The Company was founded on 19/06/1428H (Corresponding to 05/07/2007G)
- The Company shares were listed in the Saudi Stock Exchange on 02/07/1428H (17/07/2007G).
- The Company has obtained approval of the Saudi Arabian Monetary Agency to practice insurance business, and was allowed to commence its activity as of 26/06/1429H (Corresponding to 01/07/2008G).
- The Company started its operation on 27/06/1429H (Corresponding to 02/07/2008G).
- The Company has obtained approval from the Cooperative Health Insurance Council as a licensed health insurance company on 06/08/1429H (Corresponding to 09/08/2008G).
- The Company has obtained approval of the Saudi Arabian Monetary Agency per letter No. 351000081751, dated 23/06/1435H (Corresponding to 23/04/2014G) to increase its capital.

The Company’s Vision

To become the leading company in the insurance industry in terms of customers satisfaction by the Company services, and to add a real value to shareholders by earning profits.

The Company's Mission

- To be one of the best insurance companies in the Kingdom by 2015G.
- Achieve a high degree of efficiency and good management
- Full attention to customer service
- Focus on earning profits

The Shareholders of the companies who own 5% or more as of 30 September 2014G.

Shareholders who own 5% or more of the Company's shares as at 30 September 2014G

Name	Nationality	Percentage of Ownership	Number of Shares	Total Value
International General Insurance (IGI) Underwriting	Jordan	10.5%	2,100,000	21,000,000

Source: Company

The Company's shares were listed on "Tadawul" on 17/07/2007G; therefore, the ban period on the disposal of shares had elapsed several years ago, and there are no restrictions on the shares of the Company's Founding Shareholders. Consequently, Founding Shareholders are entitled to dispose of their shares after obtaining the approval of the Saudi Arabian Monetary Agency and the Capital Market Authority.

The Company Strategy

The Company has developed a strategy that enables it to achieve its Mission and Vision. The Company aims to become one of the leading companies in providing cooperative insurance services in the Kingdom. The Company's strategy includes the following items:

As it is the case with most insurance companies in the Kingdom, the Company relies on mandatory insurance lines (health insurance and motor insurance), but the Company plans to strengthen other insurance lines (non-mandatory) through making a breakthrough in new markets to obtain a considerable market share in the non-mandatory lines of business.

- The Company aims at adopting and developing new classes of business and products in the non-compulsory insurance lines, so that its insurance portfolio balances between the compulsory and non-compulsory insurance products.
- The Company intends to build and develop dynamic operational plans that are responsive to the changes and challenges encountered in order to take advantage of available opportunities and face threats emanating in the insurance sector.
- The Company does not only focus on increasing its gross written premiums, but also on selecting the quality of customers and study of risks in order to achieve a high rate of customer retention, especially for the health insurance line.
- The Company continually reviews the risk transfer mechanism through contracting with specialized re-insurance companies with high credit rating.
- Managing and distributing risks through diversification of the Company's business portfolio.
- The Company will continue relying on insurance agents in the short term, while it plans and endeavors to take deliberate steps to strengthen its own distribution networks, through recruitment and training of experienced sales teams with vast professional contacts to achieve the desired penetration.
- The Company seeks to gradually reduce its dependence on reinsurers by strengthening its own financial solvency.
- Rationalization of investment policies and the management of the Company's internal and external resources, and reducing expenses and costs, in order to achieve the best returns and profitability.
- The Company seeks to develop the management of human resources through maintaining specialized qualification and training and achieving high levels of Saudization.

Strengths and Competitive Advantages

- The Company's has a technically and administratively qualified and well-structured senior management team that creates opportunities of deliberate expansion for the Company and obtains a considerable market share in the insurance market.
- An internally developed Information Technology system that realizes high-speed connectivity with the relevant authorities.
- A Technical Support Team and Customer Service Team to facilitate customers' operations and gain their satisfaction (a hotline for customer service around the clock).

- Commitment to develop and deliver a diverse package of best products and services, with careful consideration to the associated risks.
- A medical care network composed of more than 680 hospitals and clinics across the Kingdom.
- The Company acquired a financial strength rating of (B++) and a credit rating of (bbb) with a stable outlook by AM Best.
- The Company has achieved an advanced Platinum level in the area of Saudization (Nitaqat).

Overview of Insurance market in Saudi Arabia

Insurance business began in the Kingdom of Saudi Arabia through agencies and branches of foreign companies (the majority of which from Bahrain), and that was before 1974G. Then Saudi Insurance Company was founded in 1974G, and then Red Sea Insurance Company was founded followed by Saudi United Insurance Company in 1976G. In 1977G, Resolution No. 51 was issued by the Council of Senior Scholars, which decided that the cooperative insurance is considered acceptable in Islamic law. The National Company for Cooperative Insurance was founded in 1985G and named after Al-Tawuniya Insurance Company aiming to provide insurance for major projects and retain a large percentage of the insurance premiums within the Kingdom. Cooperative insurance became the form through which insurance is provided in the Kingdom of Saudi Arabia, as it is permissible in terms of Shariah compliance, other than commercial insurance. Foreign insurance companies continued to work in Saudi Arabia as an intermediary between agents and reinsurance companies abroad.

In 1999G, the Royal Decree No. M/10 was issued, regarding the cooperative health insurance Law. Then the Council of Ministers Resolution No. 222, was issued in 2001G, containing the insurance regulation regarding driver's license in 2001G.

In 2005G, Royal Decree No. M/32 regarding Cooperative Insurance Companies Control Law was issued determining the general framework for the practice of insurance in the Kingdom of Saudi Arabia, which is the cooperative insurance, and identifying the party responsible for implementation of the law, which is the Saudi Arabian Monetary Agency (SAMA). In the same year, resolution No. 415 was issued granting a transitional period of three years (up to 2008G) to existing insurance companies to adjust their situations to engage in cooperative insurance activity. As a result, new companies applied to get licenses in accordance with the cooperative insurance regulation. SAMA allowed the companies, which had their files reviewed, and the Companies which had a royal decree issued to establish, but yet to complete procedures of establishment, to renew insurance policies to customers for a period ended on 17/02/2010G.

Currently the number of insurance companies operating in the Kingdom of Saudi Arabia, and listed on the Saudi stock market stands at 35 companies as at 30/09/2014G.

Financial Indicator

Financial information as at the year ended 31 December 2011G included in the tables below have been extracted from the audited financial statements for the year ended 31 December 2012G. They are displayed to reflect the impact of the amendments carried out by the Company on the audited financial statements of 31 December 2012G following the recommendations of the auditors in order to achieve a better presentation of the financial information and to enable the reader to compare between the financial statements for the years 2011G, and 2012G. These modifications include:

- "Outstanding Claims" and "Reinsurers' share in outstanding claims" has risen by SAR 23.63 million; and
- Reclassification from "reinsurance payable" to "accrued liabilities" at SAR 15.01 million.

Statement of Financial Position (SAR Million)	Financial Year ended on 31/12/2011G	Financial Year ended on 31/12/2012G	Financial Year ended on 31/12/2013G	Financial Period ended on 30/9/2014G
Total Insurance Operations' Assets	336,296	253,746	391,959	768,205
Total Shareholders' Assets	159,236	182,864	215,046	213,959
Total Assets	495,532	436,610	607,005	982,164
Total Insurance Operations' Liabilities and Insurance operations' surplus	336,296	253,746	391,959	768,205
Shareholders' Liabilities	4,750	7,727	8,269	10,190
Shareholders' Equity:	154,486	175,137	206,777	203,769
Total Shareholders' Liabilities and Equity	159,236	182,864	215,046	213,959
Total Insurance Operations' Liabilities and Shareholders' Liabilities and Equity	495,532	436,610	607,005	982,164

Source: Audited financial statements for years 2011G, 2012G and 2013G and interim financial statements for the period ended on 30 September 2014G

results of operations (SAR Million)	Financial Year ended on 31/12/2011G	Financial Year ended on 31/12/2012G	Financial Year ended on 31/12/2013G	Financial Period ended on 30/9/2013G	Financial Period ended on 30/9/2014G
Statement of Insurance Operations					
Gross written premium	278,560	234,093	347,191	276,700	547,549
Net written premiums	164,432	177,862	165,311	113,533	185,405
Total Revenues	179,937	188,479	186,630	132,109	199,221
Gross paid claims	116,107	121,740	1,174,494	81,936	154,735
Net incurred claims	101,275	101,346	110,346	76,900	151,460
Total costs and expenses	173,923	173,280	186,368	131,620	225,763
Net surplus (deficit) from insurance operations	6,013	15,199	262	489	(26,542)
Shareholders' appropriation of surplus	5,412	13,679	236	440	(26,542)
Shareholders' Operations					
Net surplus (deficit) transferred from insurance operations	5,412	13,679	236	440	(26,542)
General and administrative expenses	1,623	2,998	2,039	1,589	2,303
Investment income	790	8,079	26,449	13,279	42,669
Net profit (loss) for the year	4,578	18,760	24,646	12,130	13,825
Provision for zakat and income tax	1,875	2,750	3,000	2,250	2,437
Unrealized fair value changes on available-for-sale investments	1,654	4,642	9,993	16,451	(14,395)
Net comprehensive profit (loss) for the year	4,357	20,652	31,639	26,331	(3,007)
Profit (loss) per share	0.23	0.94	1.23	0.61	0.69

Source: Audited financial statements for years 2011G, 2012G and 2013G and interim financial statements for the periods ended on 30 September 2013G and 2014G

Statement of Cash Flows (SAR Million)	Financial Year ended on 31/12/2011G	Financial Year ended on 31/12/2012G	Financial Year ended on 31/12/2013G	Financial Period ended on 30/9/2013G	Financial Period ended on 30/9/2014G
Statement of Cash Flows for Insurance Transactions					
Net cash from (used in) operating activities	34,363	(29,728)	31,157	9,248	55,237
Net cash from (used in) investing activities	(873)	(2,133)	(2,721)	(2,141)	(727)
Net cash from (used in) financing activities	17,986	(24,068)	9,159	10,542	9,812
Cash and cash equivalents at end of year	137,716	81,786	119,382	99,436	183,703
Cash Flows for Shareholders					
Net cash from (used in) operating activities	(20,280)	21,485	(13,467)	(13,962)	(13,423)
Net cash from (used in) investing activities	468	12,242	39,833	(982)	32,670
Net cash used in financing activities	-	-	-	-	-
Cash and cash equivalents at end of year	26,273	60,000	86,366	45,056	105,613

Source: Audited financial statements for years 2011G, 2012G and 2013G and interim financial statements for the periods ended on 30 September 2013G and 2014G

Major Indicators	Financial Year ended on 31/12/2011G	Financial Year ended on 31/12/2012G	Financial Year ended on 31/12/2013G	Financial Period ended on 30/9/2013G	Financial Period ended on 30/9/2014G
Returns on Assets	1.1 %	4.0%	4.7%	3.1%	2.3 %
Returns on Shareholders' Equity	3.0 %	11.4 %	12.9 %	8.6 %	9.1 %
Net Loss Ratio (Net incurred claims /Net earned premiums)	61.6%	57.0 %	66.8 %	67.7 %	81.7 %
Net Profit (Loss) Margin	2.5%	10.0 %	13.2 %	9.2 %	6.9 %
Total Liabilities to Total Assets	68.8 %	59.9 %	65.9 %	65.9 %	79.3 %
Average growth of gross written premiums	26.6%	(16.0%)	48.3 %	39.2 %	97.9 %

Source: Aljazira Capital Analysis

Table of Contents

1. DEFINITIONS AND ABBREVIATIONS	1
2. RISK FACTORS	5
2.1 Risks relating to the Company's Activities and Operations	5
2.2 Risks Relating to the Market and Regulatory Environment	12
2.3 Risks relating to the Company's Shares	16
3. MARKET AND INDUSTRY OVERVIEW	18
3.1 Sources of Information	18
3.2 Overview of the Saudi Economy	18
3.3 Overview of the insurance market in Gulf Cooperation Council (GCC) countries	19
3.4 Insurance sector in the Kingdom of Saudi Arabia	19
3.5 Gross written premiums	20
3.6 Net written insurance premiums	22
3.7 Retention Ratio	22
3.8 Distribution of the market share of insurance companies	23
3.9 Cooperative Insurance Companies Control Law and Implementing Regulations	23
3.10 Demand and drivers of Insurance Products	24
3.11 Future Developments	24
4. COMPANY BACKGROUND	26
4.1 Introduction	26
4.2 The Most Significant Dates and Developments	26
4.3 The Company's Vision	26
4.4 The Company's Mission	26
4.5 The Company's Capital Structure	27
4.6 The Founding Shareholders of the companies who own 5% or more as of 30 September 2014G.	27
4.7 Company's Ownership in other companies	28
4.8 Strengths and Competitive Advantages	28
4.9 The Company Strategy	28
4.10 Company Products	29
4.11 Reinsurance	33
4.12 Company Branches	33
4.13 The Company Staff and Saudization	34
5. ORGANIZATIONAL STRUCTURE	37
5.1 Company Organizational Structure	37
5.2 Board of Directors	٨٣
5.3 Executive Management of the Company	45
5.4 Corporate Governance	47
5.5 Board Committees:	49
5.6 Compensation and remuneration of Board members and senior executives:	51

5.7 Conflict of Interest	52
5.8 Senior Executives Service Contracts	52
5.9 Declarations of Board Members, Board Secretary and Senior Executives on bankruptcy and direct interests	53
5.10 Company's Administrative Departments:	۳۵
6. FINANCIAL INFORMATION, AND THE MANAGEMENT'S DISCUSSION AND ANALYSIS	57
6.1 Introduction	57
6.2 Representations of the members of the Board of Directors regarding the financial information	57
6.3 Summary of Significant Accounting Policies	57
6.4 Results of Operations	66
6.5 Balance Sheet	80
6.6 Statement of cash flows (insurance and shareholders operations)	85
6.7 Assets included in solvency margin account	85
6.8 Discussion and analysis of financial statements for the period ended on 30 September 2014G	88
7. CAPITALIZATION AND INDEBTEDNESS	96
8. DIVIDEND POLICY	98
9. USE OF PROCEEDS	99
9.1 Net Proceeds	99
9.2 Use of Offering Proceeds	99
10. EXPERTS STATEMENT	101
11. DECLARATIONS OF DIRECTORS, SENIOR MANAGEMENT	102
12. LEGAL INFORMATION	104
12.1 Introduction	104
12.2 The Company	104
12.3 Major Shareholders	104
12.4 Board of Directors and Committees	105
12.5 Company's shareholding in other companies	106
12.6 Licenses and Permits	107
12.7 Material Agreements	108
12.8 Insurance policies of Wala'a:	118
12.9 Real-Estate	119
12.10 Intellectual Property	121
12.11 Related Parties transactions:	122
12.12 Disputes, litigation and claims:	122
12.13 Shareholders rights	124
13. SUMMARY OF THE COMPANY'S BY-LAWS	125
14. UNDERWRITING	131
15. ESTIMATED OFFERING EXPENSES	132

16. EXEMPTIONS	133
17. DESCRIPTION OF SHARES	134
17.1 Share Capital	٤٣١
17.2 Subscription to the Share Capital	134
17.3 Capital Increase	134
17.4 Decrease of Capital	134
17.5 Shares	٤٣١
17.6 Voting Rights	٤٣١
17.7 General Meetings	135
18. SUBSCRIPTION TERMS AND CONDITIONS	136
18.1 Subscription to the New Shares	١٣١
18.2 Eligible Persons who do not subscribe for the New Shares	138
18.3 Completion of Subscription Application Form	139
18.4 Documents required to be submitted with the Subscription Application Forms	139
18.5 Submission of the Subscription Application Form	140
18.6 Allocation	140
18.7 Compensation Payment	141
18.8 FAQs about the Rights Issue Mechanism	141
18.9 Miscellaneous Terms	٢٤١
18.10 Trading of New Shares	143
18.11 The Saudi Arabian Stock Exchange ("Tadawul")	143
18.12 Registration in the Saudi Stock Exchange	144
18.13 Resolutions and Approvals under which shares are offered	144
18.14 Change in the share price as a result of the capital increase	144
19. DOCUMENTS AVAILABLE FOR INSPECTION	145
20. ACCOUNTANT'S REPORT	146

Table

Shareholders who own 5% or more of the Company's shares as at 30 September 2014G	xxi
1- Table (3-1): Evolution of the actual income and expenses (in billions of Saudi Riyals) from 2005G to 2013G:	18
2- Table (3-2): Insurance market in GCC countries in 2013G	19
3- Table (3-3): Total written premiums (SAR million) from 2005G to 2013G	21
4- Table (3-4): Insurance written premiums for each activity as a percentage of total premiums (2005G -2013G)	21
5- Table (3.5) Net written premiums (SAR million) from 2005G to 2013G	22
6- Table (3-6): Net written premiums ratio of total premiums written in 2009G to 2013G	22
7- Table (3-7): Market shares of the leading insurance companies in Kingdom of Saudi Arabia over the years (2010G -2013G)	23
8 – Table (4-1): Shareholders who own 5% or more of the Company's shares as of 30 September 2014G	27
9 – Table (4-2): Structure of ownership of International General Insurance Holding Company as of 30 September 2014G	27
10 – Table (4-3): Wala'a Ownership in other companies	28
11 – Table (4-4): Products for which the Company has received final approval from SAMA	29
12 – Table (4-5): Products that the Company has received interim approval on from SAMA	31
13 - Table (4-6): Reinsurers with whom the Company deals, as of 30/09/2014G	33
14 – Table (4-7): Company employees by geographical region and the main categories of activity as of 31/12/2012G and 31/12/2013G	35
15 – Table (4-8): Company's employees by geographical region and the main categories of activity as at 30/09/2014G	36
16 – Table (5-1): Board Members (Directors)	38
17 - Table (5-2): Senior Management members	45
18 - Table (5-3): Non-enforced provisions of the Corporate Governance Regulations	47
19 - Table (5-4): Executive committee members	49
20 -Table (5-5): Members of the Audit Committee	50
21- Table (5-6): Members of the Nomination and Remuneration Committee	51
22 - Table (5-7): Members of the Investment Committee	51
23- Table (5-8): Remunerations of the Directors and Senior Executive	52
24 - Table (5-9): summary of senior executive service contracts	53
25 - Table (6-1): statement of insurance operations	66
26 - Table (6-2): Statement of Shareholders Income	68
27– Table (6-3): statement of insurance operations income by Insurance segments	69
28 - Table (6-4): Statement of Operating Income by insurance segment as at 31 December 2012G	70
29 - Table (6-5): Statement of Operating Income by insurance segment as at 31 December 2011G	70
30 - Table (6-6): Total gross written premiums against net written premiums	71
31 - Table (6-7): Total gross written premiums by sale channel	72
32- Table (6-8): Total gross written premiums by region	72
33 - Table (6-9): Total reinsurance premiums ceded by reinsurance method (including loss surplus premiums)	72
34 - Table (6-10): Ratio of ceded premiums by operational segment (including excess of loss)	73
35 - Table (6-11): Statement of reinsurers' agreements	73
36 - Table (6-12): Earned Commissions	74
37- Table (6-13): Received commissions by insurance segment	74
38- Table (6-14): Received commissions as a percentage of premiums assigned	75
39- Table (6-15): Net incurred claims	76

40 - Table (6-16): Gross claims paid by insurance sector	76
41- Table (6-17): Gross claims paid against Reinsurers' share of claims paid	77
42 - Table (6-18): Gross claims paid by region	77
43 - Table (6-19): Changes in outstanding claims	78
44 - Table (6-20): Claims management fees	78
45- Table (6-21): Operating and administrative salaries	78
46 - Table (6-22): General and administrative expenses	79
47 - Table (6-23): Balance Sheet	80
48 - Table (6-24): Cash and Cash Equivalent (Shareholder Operations)	81
49- Table (6-25): Cash and Cash Equivalent (Insurance Operations)	82
50 - Table (6-26): Statutory deposit	82
51 - Table (6-27): Insurance premium receivables	82
52 - Table (6-28): provision for doubtful debts as at 31 December 2013G.	82
53- Table (6-29): Deferred policy acquisition costs	83
54- Table (6-30): Outstanding claims	83
55- Table (6-31): Reserves for incurred but not reported claims	84
56- Table (6-32): Cash flows (insurance and shareholders operations)	85
57- Table (6-33): Computing solvency margin	85
58- Table (6-34): Total Assets included in the solvency margin account (Insurance and Shareholders operations)	87
59- Table (6-35): Total Liabilities included in solvency margin account (Insurance and Shareholders operations)	87
60- Table (6-36): Statement of insurance operations as at 30 September 2014G	88
61- Table (6-37): Gross written premiums	89
62- Table (6-38): Reinsurance premiums ceded	89
63- Table (6-39): Policy acquisition costs	90
64- Table (6-40): Reinsurance Commissions	90
65- Table (6-41): Net incurred claims	91
66- Table (6-42): Gross claims paid	91
67- Table (6-43): Reinsurers share of gross claims paid	92
68- Table (6-44): Net change in outstanding claims	92
69- Table (6-45): Operational and administrative salaries	92
70- Table (6-46): General and administrative expenses	92
71- Table (6-47): Statement of shareholders income for the period ended on 30 September 2014G	93
72- Table (6-48): Balance Sheet for insurance and shareholders operations for the period ended on 31 December 2013G and 30 September 2014G	94
73- Table (6-49): Statement of cash flows (insurance and shareholders operations) for the period ended on 30 September 2014G)	95
74- Figure (7-1): Capitalization & Indebtedness during the years 2011G-2013G and period ended on 30 September 2014G	96
75- Table (9-1): Use of Offering Proceeds	99
76 – Table (9-2): Contribution of Offering Net Proceeds in Financial Solvency Margin cover	100
77- Table (12-1): Major Shareholders	104
78- Table (12-2): Board Members (Directors)	105
79 - Table (12-3): Wala'a shareholding in Next Care	106
80- Table (12-4): Wala'a shareholding in Najm	107

81- Table (12-5): Major Licenses	107
82- Table (12-6): Branches Commercial Registration Certificates	108
83 – Table (12-7): Products in respect of which the Company has obtained the final approval of SAMA	113
84- Table (12-8): Products in which respect the Company received SAMA temporary approval	115
85- Table (12-9): Major Re-Insurance Agreements	117
86 - Table (12-10): Business Interruption Reinsurance Agreement	118
87 – Table (12-11): Hold Harmless Agreement	118
88 - Table (12-12): Walla Insurance Policies	118
89- Table (12-13): Lease Agreements	119
90- Table (12-14): Intellectual Property of the Company	121
91- Table (12-15): Related Party Transactions	122
92- Table (12-16): Unsettled major claims as of 31/12/2014G	123
93 - Table (14-1): Offering Expenses	132

1. Definitions and Abbreviations

Term	Definition
The Company or Wala'a	Saudi United Cooperative Insurance Company, a Saudi Joint Stock Company
Advisors	The Company's advisors whose names appear on page (viii)
Actuary	A person who applies various statistical and probability theories to determine the pricing of insurance products, assess the liabilities and calculate provisions.
Strategic Partners	The Company has only one Strategic Partner, which is IGI Underwriting Co. Strategic Partners are shareholders that provide support to the Company because they possess technical, scientific and operational experience and know how in the Company's activities enabling them to provide added value to the business, thanks to their qualitative knowledge.
Related Party	They are meant to be: <ol style="list-style-type: none"> 1. The Company's affiliates 2. The Company's substantial shareholders. 3. The Company's Directors and senior executives. 4. The Company affiliates' directors and senior executives. 5. The Company's substantial shareholders' directors and senior executives. 6. The Company's Legal Advisor and Financial Advisor. 7. Any relatives of persons described at (1, 2, 3, 4 or 5) above. 8. Any Company controlled by any person described at (1, 2, 3, 4, 5, 6 or 7) above
Gross Written Premium	Gross written premium of insurance policies within certain timeframe without deducting the premiums ceded to reinsurance companies.
Assigned premiums	The premiums ceded to reinsurance companies within the context of reinsurance operations.
Net Written Premium	Calculated by deducting the relevant ceded premiums of each line of insurance
Unearned Premiums	The part of written premiums that covers risks relating to future financial periods.
Board or Board of Directors	The Company's board of directors whose names appear in page (v)
By-Laws	The Company's by-laws
CAGR or Compounded Annual Growth Rate	A method used to calculate the growth rate in a certain item during a specific period of time
CMA or the Authority	Capital Market Authority of Saudi Arabia
Companies Regulations	The Companies Regulations issued by Royal Decree No. M/6, dated 22/3/1385H, as amended
Solvency Margin using the Claims method	The solvency margin is calculated by multiplying the specified factor for each insurance line (according to SAMA guidelines) by the Adjusted Net Claims for each line.
Solvency Margin using the Premiums method	The solvency margin is calculated by multiplying the specified factor for each insurance line (according to SAMA guidelines) by the Adjusted Net Written Premium for each line.
Exchange or Tadawul	The Saudi Arabian Stock Exchange
Non-proportional reinsurance	Contractual reinsurance under which the insurer undertakes to support specific risks within the limits of certain amounts exceeding the stated loss amount born by the insurer. The reinsurer undertakes to accept the insurance for the risks attributed thereby.
Facultative Reinsurance	An optional case-by-case method of reinsurance. The reinsurer has the option to accept or reject the offered risks.
Founding Shareholders	Founding Shareholders of the Company

Term	Definition
Control	The ability to influence the actions or decisions of another person, directly or indirectly, alone or in combination with a relative or affiliate, through any of the following: (1) Possession of 30% or more of the voting rights in the Company; (2) The right to appoint 30% or more of the members of the management team.
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product of K.S.A
Shareholders Meeting	Shareholders meeting of the Company's shareholders
The Government	The Government of Saudi Arabic
Public	In the Listing Rules, it means the persons other than the following: <ol style="list-style-type: none"> 1. affiliates of the issuer; 2. substantial shareholders of the issuer; 3. directors and senior executives of the issuer; 4. directors and senior executives of affiliates of the issuer; 5. directors and senior executives of substantial shareholders of the issuer; 6. any relative of persons described at (1), (2), (3), (4) or (5) above; 7. any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or 8. persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.
Insurance Law or Cooperative Insurance Companies Control Law	Law on Supervision of Cooperative Insurance Companies promulgated by Royal Decree No. M/32 dated 2/6/1424H (corresponding to 31/7/2003G)
Cooperative Health Insurance Council (CHIC)	Cooperative Health Insurance Council is an independent Saudi body established under Article IV of the Council of Ministers Resolution No. (71) of 27/04/1420H (corresponding to 11/08/1999G) which provides for the establishment of the Cooperative Health Insurance Council to oversee the implementation of the Cooperative Health Insurance Law . This Law aims to provide and regulate health care to all non-Saudis residents in the Kingdom. It may also apply to citizens and others under a resolution by the Council of Ministers.
Insurance Policy	A contract issued to the Insured by the Company setting out the terms of the contract to indemnify the Insured for loss and damages against a premium paid by the Insured
Protection and Saving Insurance	Insurance operations under which the insurer pays a sum or sums, including saving proceeds, at a future date in exchange for the subscriptions paid by the insured
Implementing Regulations	The Implementing Regulations for Law on Supervision of Cooperative Insurance Companies promulgated by the ministerial order No. 1/561 dated 1/3/1425H (corresponding to 20/4/2004G) issued by the Minister of Finance
Corporate Governance Regulations	The corporate governance regulations in KSA issued by Capital Market Authority under resolution No 2006/212/1 dated 21/10/1427H corresponding to 13/11/2006G and subsequent amendments.
Insured	A natural person or legal entity, which has taken an Insurance Policy
Insurer	An insurance company that accepts insurance contracts to assume the risk of the insured loss and to compensate for that loss directly to the insured
KSA, Saudi Arabia, or the Kingdom	The Kingdom of Saudi Arabia
Listing Rules	The Listing Rules issued by the CMA on 20/8/1425H (corresponding to 4/10/2004G) as amended on 28/2/1433H (corresponding to 22/1/2012G)
Lead Manager	Aljazira Capital
Management	The management of Wala'a
Net Proceeds	The net proceeds of the Offering, after deducting the Offering expenses
Offered Shares	20,000,000 Ordinary shares
Offer Price	SAR 12 per Offer Share

Term	Definition
Eligibility Date	Close of trading on the EGM voting on the increase in the Company's capital according to the Board recommendation on Monday 08/07/1436H (corresponding to 27/04/2015G).
First Offering Period	The Offering will start on Tuesday 16/07/1436H (corresponding to 05/05/2015G) and will last for 10 calendar days, up to and including the last day of the offering closing on Thursday 25/07/1436H (corresponding to 14/05/2015G).
Trading Period	The shares trading period will coincide with the start of the First Offering Period and will commence on Tuesday 16/07/1436H (corresponding to 05/05/2015G) and will last for 8 calendar days, up to and including Thursday 25/07/1436H (corresponding to 14/05/2015G).
Second Offering Period	The Second Offering Period will start on Sunday 28/07/1436H (corresponding to 17/05/2015G) and will last for 3 working days up to and including Tuesday 01/08/1436H (corresponding to 19/05/2015G).
Rump Offering	Offering of any Rump Shares unsubscribed for by the Eligible Persons to Institutional Investors during the Rump Offering Period.
Rump Offering Period	Unsubscribed Rump Shares, if any, will be offered for subscription during the period from Sunday 06/08/1436H (corresponding to 24/05/2015G) at 10:00 a.m. up to 10:00 a.m. of the following day which Monday 07/08/1436H (corresponding to 25/05/2015G).
Eligible Persons	Eligible Persons includes both Registered Shareholders and purchasers of Rights during the Trading Period.
Trading of Rights	Eligible persons may trade in (Buy and Sell) the rights issue of (1) rights for each (1) of the Company's shares in Tadawul.
Exercising of Rights	Application for subscription to the New Shares by the eligible persons through completion of application forms and payment of the money to the Receiving Agents or through electronic subscription to the Receiving Agents providing such type of service.
Registered Shareholders	Shareholders registered in the Company's Register as at the close of trading on the date of the EGM.
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia
Person	A natural person
Prospectus	This document prepared by the Company in relation to the Offering
Policyholder	A persons who, according to the Company's records, are at any given time the holders of insurance policies issued, or acquired by the Company
Receiving Agents	Bank Aljazira, Al Rajhi Bank, National Commercial Bank, Saudi British Bank, Saudi Fransi Bank, and Riyadh Bank.
Reinsurance	The process by which an insurer or reinsurer insures or reinsures another insurer or reinsurer (the ceding company) against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies
Reinsurer	A reinsurance company that accepts insurance contracts from another insurer for some or all the risks it has assumed
SAMA	Saudi Arabian Monetary Agency
SAR or SR	Saudi Arabian Riyal, the official currency of Saudi Arabia
Shareholder	The holder of the Shares as at any particular time
Shares	The Ordinary shares of the Company amounting to 20 million with a nominal value of ten Saudi Arabian Riyals (SAR 10) each
Aljazira Capital	A wholly owned company by Bank Aljazira, licensed by CMA to conduct securities management, advice, arranging, dealing and custody business.

Term	Definition
Financial Broker	<p>A joint stock company conducts brokerage business and the broker's agent working for the brokerage firm, who conducts all or some of the following:</p> <ol style="list-style-type: none"> 1. acts on commercial basis as a broker in securities trading; 2. submits on commercial basis an offer to others to obtain financial assets in the form of securities; 3. implements on commercial basis securities transactions for his own account not through issuance of securities, in order to find a market in the securities, or to make a profit resulting from the difference between the supply and demand prices of securities; 4. conducts on commercial basis acquisition or offering of securities for the issuer, or a person in control of that issuer; and 5. Conducts brokerage on commercial basis including currency swap and securities contracts arrangements.
Institutional Investors	<p>This includes a group of institutions, as follows:</p> <ol style="list-style-type: none"> 1. Publicly offered investment funds established in the Kingdom that invest in securities listed on the Exchange, provided that the fund's terms and conditions permit such investment, and provided that the terms and conditions of the Investment Funds Regulations are observed; 2. Persons authorized to deal in securities as principal, provided that financial adequacy requirements are observed; 3. Companies listed on the Saudi Stock Exchange through their portfolios managed by authorized persons, banks and insurance companies listed in Tadawul, according to the regulations issued by the CMA, provided that the Company's involvement does not lead to a conflict of interests.
SAGIA	Saudi Arabian General Investment Authority
SOCPA	Saudi Organization for Certified Public Accountants
Subscriber	Anybody who subscribes for the offer shares
Subscription Application Form	The application form submitted by the subscriber to purchase the offered shares
Surplus Distribution	Method by which profit of insurance and reinsurance companies is distributed among Policyholders
Tadawul or the Exchange	An automatic system to buy and sell Saudi shares
Technical Provisions	The value set aside to cover expected losses arising on a book of insurance policies and its financial obligations
Underwriter	Aljazira Capital
Underwriting Agreement	The underwriting agreement between the Company and the Underwriter
Next Care	Saudi Next Care for Settlement of Insurance Claims
Najm	Najm for Insurance Services
BBB	A credit rating from S&P
S&P	Standard and Poor's, an American company specialized in 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.
AA-	A credit rating from S&P
AM Best	An international rating company of insurance industry in particular

2. Risk Factors

In considering an investment in the Offer Shares, 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 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. Members of the Board of Directors are not aware of any other material risks that may adversely affect the Company's activities and financial performance, other than the risks set forth below as of the date of this Prospectus. Members of the Board of Directors further declare that, to the best of their knowledge and belief, there are no significant risks that can affect decisions taken by investors as of the date of this Prospectus, except as disclosed in this Section. The trading price of the Company's Offer Shares could decrease due to occurrence of any of these risks or other risks, and accordingly, prospective investors may lose all or part of their investment

The Company's business and what is listed in this Prospectus, and financial condition, results of operations and cash flows could be adversely and materially affected if any of the following risks which management (the Management") currently believes to be material, or any other risks that the Board of Directors has not identified or that it currently considers not to be material, actually occur or become material risks.

An investment in the shares of the Company is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss, which might result from such an investment. Prospective investors who have doubts about which actions to take should refer to a person licensed for providing advice about purchasing shares and other securities.

In the event that any of the risks that the Management currently believes to be material do occur, or if any other risks that the Management has not identified, and currently it does not consider to be material do occur, the value of the Offer Shares will decrease and prospective investors will lose all or part of their investment in the Offer Shares.

The risks and uncertainties described below are presented in an order that does not reflect their importance. Additional unknown risks and uncertainties or those unknown or deemed immaterial now, may have the impacts shown above.

2.1 Risks relating to the Company's Activities and Operations

2.1.1 Risk related to the Insurance business

Risk management is a matter of judgment, involving important assumptions about matters that are inherently unpredictable and beyond the Company's control, and for which historical experience and probability analysis may not provide sufficient guidance. In addition, the Saudi insurance market has been recently regulated. (Cooperative Insurance Companies Control System Law was issued on 31/07/2003G, and its implementing regulations was issued 10/04/2004G). Moreover, most Saudi insurance companies' shares have been listed for trading in the stock market in the last seven years. Therefore, the information and historical data needed to assess the risks to which the Company is exposed are unavailable, inaccurate, or incomplete, and as such, the Company cannot make optimal assessment of these risks. This may lead, for instance, to the adoption of pricing policies that do not reflect risks related to insurance products. Accordingly, wrong assessment of risks to which the Company is exposed may have material adverse effect on its financial position and results of operations.

2.1.2 Risk related to Insurance Portfolio Concentration

Medical insurance represented 35% of total written premiums for the Company in the year 2011G, and this percentage decreased to 7% in the first nine months of 2014G. The Company has proceeded in recent years to reduce the size of written premiums for medical insurance sector due to the overall high net loss ratio for this sector in the Saudi market (94.1% in 2013G).

Motor insurance represented 23% of the total premiums written for the Company in 2011G and this percentage increased to 32% in the first nine months of 2014G. Other general insurance contracts as a percentage of the total premiums written for the Company (such as property, engineering insurance, marine and public liability

insurance) increased from 42% in 2011G to 61% in the first nine months of 2014G. Property Insurance is the most important other general insurance line for the Company, where such product represented 33% of the total premiums written for the Company in the first nine months of 2014G. These percentages show that the Company's insurance portfolio focused on motor insurance and other general insurance contracts.

Although motor insurance generates a lot of liquidity to the Company, this product does not presently realize operating profits, as the net loss ratio for the motor insurance sector reached 91% in the year 2013G. Failure to improve the profitability of motor insurance sector will adversely and materially affect the Company's operations and financial performance.

Unlike motor insurance, other general insurance contracts are characterized by lack of accidents, but when they occur, they are expected to result in big losses and high claims. There is no guarantee that the Company will not be exposed to significant losses in the event of occurrence of any of these incidents, which would adversely and materially affect the Company's operations and financial performance.

2.1.3 Customers Concentration Risks

Other general insurance contracts, in contrast to motor insurance and medical insurance, concentrate on a small number of customers. For example, Total property insurance premiums written in the year 2013G reached SAR 122 million, of which 70% was written only by two customers, Saudi Electricity Company and Chevron Saudi Arabia. Thus, in case the Company loses any of its main customers, or subject to large claims from their part, its financial position and operations results would be adversely affected.

2.1.4 Reinsurance Risks

The insurance companies, in the normal course of their business, depend on re-insurance agreements concluded with reinsurers inside and outside the Kingdom to minimize risks arising from insurance coverage. The reinsurer becomes liable towards the Company within limits of reinsured risks, but the Company is not exempted from its basic commitment to policyholders as it is the direct insurer. As of the date of this Prospectus, the reinsurers' share of unpaid main claims amounts to SAR 170.7 million (Please refer to Section 12-12 "Legal Information- Disputes, Litigation and Claims"). There is no guarantee that reinsurers would pay their share in future claims, and if that happens, it would affect adversely and materially the Company's operations and financial performance.

The availability and cost of reinsurance are subject to the prevailing market conditions, which are usually beyond the Company's control. Under Article 40 of the Implementing Regulations of the Cooperative Insurance Companies Control Law, insurers must retain at least 30% of premiums and reinsure 30% of total premiums in the Kingdom. Re-insurance of the Company's insurance portfolio within the Kingdom concentrates on a small number of reinsurers, which may expose it to the risk the other party's failure. The reluctance or inability of a reinsurer for compliance with the terms of the reinsurance agreements would generate a substantial negative impact on the Company's business and financial results. Also, in case the Company could not maintain its relations with reinsurers or replace them, exposure to risks would increase and would limit its ability to increase the size of its business.

Transactions with reinsurers outside the Kingdom involve additional risks relating to political and economic conditions, and regulatory changes in the insurance sector in their areas. If these factors affect the reinsurers' ability to pay their share of future claims, the Company's operations would be adversely and materially affected.

2.1.5 Risks related to Company's losses

The accumulated losses of the Company amounted to about SAR 12.9 million as at 31 December 2014G accounted for 6.45% of the Company's capital, according to interim financial statements of the Company for the period ended December 31, 2014G. There is no guarantee that the Company would not continue to record additional losses, and in that event, the Company will be subject to a number of relevant laws and regulations in the Kingdom. Article 148 of the Companies Law specified that in case a joint stock company losses reached 75% of its capital, the Board of Directors shall call an Extraordinary General Assembly to convene to resolve the Company or increase its capital. It is possible then that the shareholders would lose all or part of their investments in the Company.

Companies with accumulated losses of 50% or more of their capital will be subject to procedures by Capital Market Authority (CMA) (please refer to Implementing Regulations “Procedures and Instructions for Companies, with shares listed on the market, which reported accumulated losses of 50% or more of their capital,” issued by CMA) . These procedures range from adding a mark next to the names of these companies in the website of the Saudi Stock Exchange (Tadawul) and suspending the trading of their shares for a period of two hours, to the cancellation of listing if the companies do not abide by the instructions set forth in the Implementing Regulations mentioned above. Then, it is possible that shareholders may lose all or part of their investments in these companies.

2.1.6 Risks of non-renewal of Insurance Policies

Basic activity of the Company depends on issuance of insurance policies which represent short-term contracts in their nature. The Company may not be able to renew them with policyholders under favorable terms and prices. The Company recorded in recent years, low renewal rates for individuals’ motor and health insurance policies, due to increased competition in the market. In case of the Company’s failure to retain its customers, the total written premiums for the Company may decline in future, and therefore its profitability and financial performance could be adversely and materially affected.

2.1.7 Risks of forward-looking statements

Some data contained in this Prospectus constitutes forward-looking statements, but it is not a guarantee of performance in the future. These forward-looking statements and information involve risks and other unknown factors that may affect the actual results and thus the Company’s performance and achievements. There are many factors that may affect the actual performance, results and achievements realized by the Company and lead to significant variation from expressed or implied projections in the mentioned statements. If one or more of these risks or uncertainties are realized or any reliable assumptions proved inaccurate, actual results may significantly differ from those described in this Prospectus.

2.1.8 Risks of Lack of Rewarding Investment Returns

The performance of invested assets is subject to a variety of risks, including general economic conditions, market fluctuations, volatility of return on investment, liquidity risks, credit risks and non-payment risks. If the Company fails to balance its portfolio with financial obligations, it may be forced to liquidate their investments at unfavorable times or prices, which could adversely and substantially affect the financial conditions and operation results.

The Company has also obtained SAMA’s approval on its investment policy. In case of any discrepancies between what was submitted to and approved by SAMA, and the policies followed, SAMA may request the Company to rectify its situation and provide reasons for non-compliance, and implement some supervisory and other regulatory procedures that might adversely affect the Company’s financial position and operations.

Investment portfolio is also exposed to lack of certain financial products, such as financial derivatives with high risky returns, which might lead to less diversification of asset classes, and consequently result in lower investment returns. If the Company fails to diversify its investments, its profitability and financial performance would be adversely affected.

2.1.9 Risks related to Crashes of Information Technology Systems

The Company’s business and future prospects depend heavily on the ability of IT systems to handle a large number of operations at a specific time without interruption, especially when transactions processing becomes more complicated due to the growth of the Company’s portfolio and significant increasing rate of operations. There is no guarantee or confirmation that these systems will not be exposed to failures, deficiencies, complete outage, system viruses, penetration, or any type of electronic crimes that would affect the security of Company’s information, data and communications, or occurrence of any defect in the systems of Company’s branches or other associated entities. In case of occurrence of any these risks, the Company’s business would be adversely and materially affected, and its reputation might be harmed.

2.1.10 Risks related to Efficiency Risk Management Policies

The Company relies on Cooperative Insurance regulations and the Company's risk management regulations (which are assessed on a monthly basis) in formulation of the policy for management, measurement and control of risks encountered by the Company in its course of business. Lack of application or update of this policy, or lack of information to make up decision to respond in a timely manner might expose the Company to various risks, including, but not limited to, non-compliance with the requirements of the Cooperative Insurance Companies Control Law or its Implementing Regulations. This may expose the Company's to withdrawal of its license by Saudi Arabian Monetary Agency (SAMA) (As per article 76 of the Implementing Regulations of the Cooperative Insurance Companies Control Law).

The Company has policies for managing and monitoring risks, which are subject to the Implementing Regulations of the Cooperative Insurance Companies Control Law. However, these policies and procedures may not be sufficient to reduce the extent of risk exposure in all circumstances, especially for unexpected or non-repetitive risks. As a result, the financial situation of the Company and its operations will be adversely and materially affected as a result of expansion of risk exposure.

2.1.11 Risks of Staff Misconduct

The Company cannot guarantee that it will be able to prevent cases of staff misconduct. Therefore any employee's misconduct may result in violation of regulations by the Company, regulatory sanctions, financial liability, or serious damage to the Company's reputation which will significantly affect the Company's financial position or results of operations.

2.1.12 Risks of transactions with related parties

The Company's transactions with related parties are limited in services agreements with two companies: "Najm" and "Next Care", in addition to insurance contracts with members of its Board of Directors or with companies they own or have interest therein. Total insurance contracts with related parties reached SAR 7.6 million in 2014G, which represents about 1.2% of total premiums written. The Company has contracted with Al-Othman Group, in which the Board member Abdullah Mohammed Othman owns interest, Al-Shuaibi Group, in which the Board member Walid Sohail Al-Shuaibi owns interest, Dawa for Medical Services Company, in which the Board member Walid Mohammed al-Jaafari, owns interest, and Procure Hospital in which Board member Khalid Abdul Rahman Al-Rajhi owns interest. This is in addition to private motor insurance for Chairman of the Board of Directors Sulaiman Abdullah Al-Qadi, and private motor insurance for some executives. The Company also concluded indirect insurance contracts (through Insurance agents) with some members of the Board of Directors, as the Company signed contracts with Isam Kabbani Group, in which the Board member Hassan Isam Kabbani owns interest, and Amiantit Group, in which the Board member Sulaiman Altowaijri owns interest. (Please refer to Section 12.11 "Legal information – Transactions with Related Parties").

Article 49 of the Implementing Regulations of the Cooperative Insurance Companies Control Law states that any insurance policy shall not be issued or renewed to any related parties until the corresponding premium is paid in full. Insurance premiums of insurance policies for related parties are not paid in full when they are issued or renewed (Please refer to Section 12.11 "Legal information- Related Party Transactions"), which may expose the Company to regulatory procedures, penalties or sanctions by SAMA.

Giving preferential treatment to related parties upon conclusion of agreements with them would adversely affect the Company's financial condition or results of operations.

2.1.13 Dependence on Key Personnel

The Company intends to expand in the insurance business after increase of its capital. The Company's success and ability to develop and execute its business plans depend on key personnel in the Company, and in order to be able to compete in the insurance market and gain market share, it should be able to hire and retain qualified staff.

Accordingly, the Company is not insured against damage to its business due to loss or separation of any of its key employees, and it does not give any assurances that it will succeed in attracting and retaining key personnel who have the ability to achieve the Company's goals. Perhaps the Company would be adversely

affected if one or more of the key personnel services are terminated in the short to the medium term, and that could adversely affect the Company's business opportunities, future prospects, financial condition and results of operations.

2.1.14 Liquidity risk

The Company faces liquidity risks when it is unable to provide the necessary funds to meet its financial obligations and liabilities on time due to lack of liquidity. The Company does not guarantee non-occurrence of any emergency or sudden events that may require immediate liquidity, which would adversely affect its operational performance and financial position.

2.1.15 Credit Risks

Credit risks are risks that may make the Company incur financial losses due to inability of the parties contracted by the Company to meet their obligations. Credit risks of the Company related mainly to reinsurers' share of outstanding claims, or premiums not paid by the customer. The Company may not be able in the future to accurately assess the financial position of the parties contracted by the Company to determine their ability to meet their financial obligations. Any reduction in the overall credit ability of those parties would have a material adverse effect on the Company's business and financial condition.

2.1.16 Risks of Obtaining Financing Sources

The Company needs to inject large amount to finance its future investments, expansions and operational activities, whereupon it would look for suitable financing sources. The process of obtaining additional financing may include issuance of new shares, which may result in reducing the equity percentage of existing shareholders, obtaining loans from any commercial banks operating in the Kingdom, or issuing Sukuk. There is no guarantee or assurance that these sources would be available at favorable cost, and at appropriate financial market conditions, which would consequently increase financing costs or delay the financing, and adversely affect the Company's operations and development.

The society's perception of the insurance services that they do not constitute a fundamental role, nor they are Shariah compliant, would increase the difficulty of obtaining financing sources, and would adversely affect the Company's business and financial condition.

2.1.17 Risks of litigation and legal proceedings

The Company may be exposed sometimes to lawsuits or judicial proceedings relating to, among other things, claims of customers, labor disputes or contractual conflicts. If the Company has become a party to any litigation or other legal proceedings in future, the results of those actions would be uncertain and could lead to compromises or results that might adversely affect the Company's reputation. In addition, any claims or legal proceedings might involve significant legal expenses which would substantially harm the Company's financial position or results of operations.

2.1.18 Risks related to Saudization

The Ministry of Labor has introduced "Nitaqat" program designed to nationalize the jobs. Due to the few and limited availability of trained manpower and large competition for attracting them by the competing insurance companies, as well as the fact that Saudization ratio of Nitaqat program is linked to the number of Saudi and non-Saudi employees, who upon departure of the Company may affect the ratio of Saudization in Nitaqat, by increase or decrease, therefore there is no guarantee by the Company that it will be able to maintain the required ratio of Saudization.

Non-compliance with the required Saudization ratio will expose the Company to fines and penalties by the Ministry of Labor and other relevant governmental authorities, including restriction on recruitment, issuance of visas necessary for the Company and sponsorship transfer for non-Saudi personnel, or exclusion from governmental competitions. Accordingly, this will lead to negative and significant impact on the Company's business, financial condition and results of operations.

2.1.19 Risks related to Technical Provisions (Reserves)

The Company accounts for and retain reserves and provisions, according to Article 69 of the implementing regulations of the Cooperative Insurance Companies Control Law in order to meet future projected obligations. They include estimates of amounts for payment of reported and unreported claims and expenses related to adjustment of losses. The process of estimating reserves and provisions is subject to future expectations based on variables and multiple assumptions, and they are calculated in the absence of sufficient historical data about insurance industry in the Kingdom. This may result in inadequacy of the calculated reserves and allowances, which would require the Company to increase its reserves and provisions, or to allocate reserves and provisions in excess of the Company's need, which will deprive the Company from an opportunity to invest these allocations in financial products with higher investment returns. In both cases, the error in the process of estimating reserves will have negative impact on the Company's business, financial condition and results of operations.

2.1.20 Risks of Issuance and Translation of Insurance Policies

The Company studies the potential risks before issuing insurance policies to the requestor, and this is done through the process of assessment of risks related to customers themselves, study of any concentration of insured risks, as well as an estimate of what the nature of the risks insured, legal obligations and liabilities associated with the insurance policies and risks related to claims. This is in addition to carrying out an assessment of the risks of any lawsuits or settlements of claims filed by and against the client. The Company's poor estimates of the risks of issuing insurance policies will make the Company suffer financial losses and will adversely affect its performance in the future.

Also, it is worth mentioning that Arabic translation of some items in the insurance policies given by the Company to other parties is not perfect as for terminologies mentioned in the policy, leading to different interpretation of meanings between the parties, which may expose the Company to have disputes with customers and adversely affect its financial results.

2.1.21 Unforeseen Disaster Risks

The occurrence of unforeseen disasters, natural and unnatural, may have a direct impact on the performance of the Company which provides property insurance products. The Company will be exposed to high number of claims arising from the occurrence of unforeseen disasters such as storms, hurricanes, earthquakes, fires, acts of terrorism and others. As the Company offers insurance products on properties, claims relating thereto upon occurrence of unforeseen disasters will lead to the volatility of financial results of the Company and will substantially affect its financial position and results of operations.

2.1.22 Risks related to Changes in Accounting Standards

The International Accounting Standards Council of the International Accounting Standards Organization develops and reviews international standards for financial reporting. The Council has recently issued amendments to these standards which became effective as of January 1, 2014G. (Please refer to Section 6.3 "Financial Information and Management Discussion and Analysis- Summary of Important Accounting Policies". The Company management has decided not to apply early these revised standards and their interpretations, and the last date for application is 1 January 2016G. The Company's application of these standards may lead to adverse impacts on the Company's financial position and results of operations.

2.1.23 Risks of relying on Brokers and Agents

The Company relies on brokers and agents as major distributors for marketing of its products (Please refer to Section 12-7 "Legal information – Material Agreements"), whose shares of gross written premiums represented 56%, 60% and 70% in the years 2011G, 2012G and 2013G respectively (Please refer to Section 6-4 "Financial Information and Management Discussion and Analysis - Results of Operations"). Due to increasing reliance on brokers and agents, any interruption or termination of such arrangements would have significant negative impact on the sales of the Company's products, leading to a substantial negative impact on the Company's business, financial condition and results of operations.

Moreover, the lack of compliance of the brokers and agents with regulations issued by the Saudi Arabian Monetary Agency (SAMA) such as the Insurance Intermediaries Regulation or Insurance Market Code of Conduct Regulations) when providing insurance services, which would have a negative impact on the reputation of the Company and its business, financial condition and results of operations.

2.1.24 Risks related to contracts with third parties

The Company has contracted and concluded agreements and contracts with third parties most notably (1) agreements relating to insurance products, (2) agreements relating to arrangements for reinsurance, (3) investment management agreements with HSBC Saudi Arabia, Saudi Fransi Capital, (4) agency agreement with Almayazeen Insurance Services, and (5) Service agreements with Manar Sigma Financial Consulting, Najm for Insurance Services, Elm for Information Technology, Shariah Review Bureau, Saudi Next Care Company for Setting Insurance Claims, and AM Best Europe (Please refer to Section 12-7 "Legal information - Material Agreements". These agreements involve a significant risks under their terms, nature or parties.

The Company depends on fulfillment of these parties of their obligations under the terms and conditions of these contracts and agreements. There is no guarantee by the Company that these third parties would fulfill their obligations or meet the Company's objectives, and consequently will have negative and significant impact on the Company's business, financial condition and results of operations.

2.1.25 Risks related to the opinion of the Shariah Audit Office

On 01/01/2012G, the Wala'a Company entered into consulting services agreement with the Shariah Review Bureau under which the Bureau will ensure compliance with the principles and provisions of Islamic Shariah. Therefore, in case there is a difference in Shariah opinion, or raising any subject related to what extent the existing products, which were previously approved by Shariah Review Bureau, are compliant with Shariah, the Company's reputation would be adversely affected, which would in turn negatively affect the Company's performance and results of operations.

2.1.26 Risks related to Trademark protection and intellectual property

Wala'a Company has protected its main trademark through registration with the Saudi Trademark Office under the Ministry of Commerce and Industry (Please refer to Section 12-10 "legal information- intellectual property"). It should be noted that the Company has no intangible assets, except its trade mark.

The competitive position of the Company also depends, among other factors, on its ability to protect and use its trademark. Therefore, the inability to protect its name and logo, or in some cases, the need to take the necessary legal measures to protect such assets may adversely affect its trademark, and made it more expensive to practice the business, which in turn will lead to a negative impact on the results of the Company operations.

2.1.27 Risk related to Rating

Some international rating agencies such as "Standard & Poor's" and "AM Best" conduct rating to insurance companies on a regular basis in terms of the strength of their financial positions. This rating is not a rating for the offer shares or a recommendation to invest in any of the companies that are rated. However, the level of customer confidence may be affected according to the change in that rating. There are no assurances that the Company will be able to achieve a high rating or maintain it. Also, any decline in the rating of the financial strength of the Company and its ability to meet its debt in the future will have negative impacts on the Company's business and future performance.

2.1.28 Risks related to decline in the confidence of the Company's customers

Any decline in customer confidence will lead to higher cancellations of insurance policies and refund of money, or to refrain from underwriting in insurance policies offered by the Company, which would negatively affect the Company's sales of these products, and accordingly affect the Company's financial situation and results of operations.

2.1.29 Risks related to Zakat and Income Tax

The Company submitted zakat and tax returns for all years up to the year ended December 31, 2013G, and obtained Zakat restricted certificates. These returns are still under the final evaluation process by the Department of Zakat and Income. The Company cannot predict any zakat differences that the Department of Zakat and Income may request to be paid. Accordingly, the Company sets aside provisions for these differences in the financial statements amounting to SAR 6.4 million as of September 30, 2014G. Any big unexpected zakat obligations would adversely affect the Company's business, financial position and operating results.

2.1.30 Risks related to an important vacant post in the Company

The Internal Actuary and Risks Manager is an important vacant post in the Company. This post has not been filled to date and other personnel are temporarily in charge of its tasks. Filling this post is essential as it affects the ability of the Company to manage its operations efficiently.

The Company's productivity and its financial performance will be adversely affected if the filling of the post is delayed or in the event the Company is not able to appoint a person who has the required experience and competence for occupying the said post, due to the influence it has on the Company's ability to implement its strategy and plans.

2.2 Risks Relating to the Market and Regulatory Environment

2.2.1 Risks Related to Cooperative Insurance Companies Control Law and Implementing Regulations

The insurance sector in K.S.A, is subject to the Cooperative Insurance Companies Control Law and its Implementing Regulations issued by SAMA, which is the main Saudi government body responsible for regulating the insurance sector and is responsible for policies, regulations, licensing, competition, investment allocation, service standards, technical standards and settlement arrangements. These laws and regulations might change from time to time. The change of the regulatory structure or imposition of new policies, could have a significant and negative impact on the Company's business, financial condition, cash flows, operation results and/or future prospects.

The Cooperative Insurance Companies Control Law and its Implementing Regulations authorizes SAMA wide powers including amendment, suspension, cancellation, refusal to renew the insurance license, cease authorization to issue insurance policies, or imposition of fines on the Company in the event of failure to comply with the provisions of the Cooperative Insurance Companies Control Law and its Implementing Regulations. In case of taking any affecting actions against the Company, or if the Company is subject to fines, this would adversely affect the Company's activity, continuity, financial position, prospects and results of operations.

2.2.2 Risks related to Withdrawal of Insurance License

The Company obtained SAMA's license to practice insurance and reinsurance activities on 28/06/1429H (03/07/2008G), and it has renewed this license on 27/06/1435H (28/04/2014G) for a three-year period expiring on 26/06/1438H (25/03/2017G). Article 76 of the Implementing Regulations of Cooperative Insurance Companies Control Law 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 within a period of six months;
- If the Company does not fulfill its requirements as per the Law on Supervision of Cooperative Insurance Companies and the Implementing Regulations;
- If it is established that the Company has deliberately provided SAMA with false information in its licensing application;
- If it appears to SAMA that the rights of the policyholder, beneficiary or the Shareholders are exposed to loss as a result of the manner in which the activity is conducted;
- 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 pay 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 the Kingdom of Saudi Arabia, which would adversely and materially affect the Company's activity, continuity, financial position, results of operations and could then shareholders lose all or part of their investment in the Company.

2.2.3 Risks related to product approval

Obtaining the necessary approvals of insurance products by SAMA is processed under the Cooperative Insurance Companies Control Law and Implementing Regulations. It may take long time to get these approvals, which extends, in some cases, to six months, and that make the Company miss some opportunities. These approvals require the Company to be committed towards the insured parties, as well as the Company's obligations towards SAMA by providing any documents or modifying any of these products and their policies in case there is any modification or update to the policies by SAMA. The Company has obtained temporary approvals for some of its products, and it is in the process of renewing other temporary approvals (Please refer to Section 12-7 "Legal Information – Material Agreements). If the Company did not get the final approval of these products, or if SAMA refused to renew the temporary approvals, the Company's operations and financial condition would be adversely affected.

2.2.4 Risks related to the required reports

Cooperative Insurance Companies Control Law and its Implementing Regulations require the Company to periodically provide SAMA with financial and operational reports prepared in accordance with regulatory accounting principles, as well as other information, including information concerning the general operations of the Company, capital structure, ownership and financial solvency. The Company could be subject to regulatory measures, sanctions or fines if SAMA believes that the Company has failed to comply with any applicable laws or regulations.

Listing Rules issued by the Capital Market Authority (CMA) also provides that the Company shall submit lists of financial reports periodically to the CMA. It also states that there should be public disclosure of material information related to the Company's business, financial results, component of capital, ownership and financial position.

Any failure to comply with submission of the reports mentioned above will result in imposition of significant restrictions on the Company's ability to practice its work, or expose it to sanctions, which would adversely affect the Company's reputation, results of operations and financial condition.

2.2.5 Risks relating to Solvency Requirements

Pursuant to Articles 66, 67 and 68 of the Implementing Regulations, the Company is required to maintain a minimum Solvency Margin for various insurance operations. However, the size of the Solvency Margin is significantly affected by the reserves that must be maintained, which, in turn, will be affected by the volume of insurance policies sold and volume of incurred claims. The Company's ability to effectively manage risks and properly price its products to maintain the required solvency margin represents a major challenge. SAMA imposes various remedial actions for the insurance companies that fail to comply with the proper level of solvency requirement including the following:

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

SAMA periodically requires additions or changes to solvency margin requirements, which may lead to a negative impact on results of operations and financial position through allocations of additional reserves. The

solvency margin of the Company was 76.3% as of September 30, 2014G. The Company's ability to effectively manage risks and properly price its products to maintain the required solvency margin will represent a major challenge. If the actual solvency margin of the Company falls below 25%, or the Company fails to correct its financial position, SAMA will appoint a financial adviser to advise the Company, or to withdraw its license, which would adversely and materially affect its activity, continuity, financial position or results of operations, and shareholders might, at that time, lose all or part of their investment in the Company.

2.2.6 Risks related to Restriction on Ownership of Insurance Companies

Insurance Law places certain restrictions on owning shares in insurance companies. According to Article 9 of the Cooperative Insurance Companies Control Law, and Article 39 of the Implementing Regulations, insurance or reinsurance companies may not merge with, own, control or purchase shares in other insurance or reinsurance companies without pre written approval from SAMA. In compliance with Article 38 of the Implementing Regulations, the Company shall notify SAMA of the percentage ownership of any person who owns 5% or more of the Company shares through a quarterly report.

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 and significantly affect the Company's operations.

2.2.7 Risks related to Adherence to Regulations of the Council of Cooperative Health Insurance (CCHI)

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

2.2.8 Risks related to Scarcity of Local Qualified Personnel

Saudi labor market suffers from severe shortage of local highly qualified personnel in the cooperative insurance sector, required to fulfill the needs of the insurance companies. This increases the demand for qualified personnel, which may lead a kind of competition between the existing and new companies to attract these cadres. This in turn will increase the cost of hiring qualified personnel and retaining the existing staff at the companies, which could lead to a rise in operating expenses and therefore it might affect the profitability of the companies operating in the insurance sector.

2.2.9 Risk related to lack of Cultural Awareness of Insurance and its importance

There are risks about the society's perception about insurance sector and services in general, as the society's perception of the sector is that it does not constitute a fundamental role and the scope of its services are non-compliant with the provisions of Islamic Sharia. The society may lose its confidence in the sector, which will adversely and materially affect the Company's business, financial condition and results of operations.

2.2.10 Risks related to the Competitive Environment

The Company is operating in an increasingly competitive environment, which could adversely impact its operating margins. According to the List of Insurance and Reinsurance Companies and Services Providers issued by SAMA on 24/03/2014G, the number of insurance companies authorized to work has reached (35) companies and they are competing to increase their market shares.

The competition in the insurance sector is based on several factors, including premiums charged, terms and conditions of coverage, services provided, financial rating accredited by independent assessment bodies and institutions, claims service, reputation and existing perception of financial capacity and expertise of the insurance company.

Increasing competition leads to the adoption of pricing policies by some competitors in the market more competitive than those of the Company, or offer an alternative formulas for protection from risks in addition to traditional insurance products. 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; and
- Increasing policy acquisition costs.

Risks described above may lead to reduction of the Company's ability to continue in its operations, whereupon, Company shareholders may lose all or part of their investments.

2.2.11 Risks related to Political and Economic Atmosphere and Insurance Sector Conditions

The financial performance of insurance companies largely depends on domestic political and economic situation in the Kingdom of Saudi Arabia, as well as global political and economic conditions that affect the Kingdom's economy. The change in the political and economic conditions will affect the financial results of the insurance companies through its impact on market conditions and investment returns, and also through the change in customer's demand for insurance services products. Moreover, the premiums and claims trends in the insurance and reinsurance markets are considered volatile in their nature. Unforeseen events such as natural disasters, high rates of inflation, competition and judicial decisions may affect the size of future claims and have negative impact on earnings and revenues of the insurance sector and industry.

The Company cannot predict the future impacts of changes in political, economic and insurance industry conditions on its business, as they may not be favorable and there is no guarantee that they would not have a material and adverse effect on the earnings and revenues of the Company.

2.2.12 Risks related to Fluctuation of Currency Exchange Rates

The risk of currency exchange rates on the Company is represented in having relationships with international parties requiring it to deal with them in foreign currencies. The most important relationships are related to transactions with reinsurers. The Company's operations are currently performed in Saudi Riyals and US dollar. The trading volume in US dollars reached about 30 million Saudi Riyals in 2014G. Since the Company's operations are not only in Saudi Riyals, it would be exposed to the risk of foreign currency exchange rates. Any other major unexpected fluctuations in exchange rates will adversely affect the Company's financial performance.

2.2.13 Risks related to the Growth of the Insurance Market

Insurance market growth rate in the Kingdom of Saudi Arabia may not be as high or stable as currently expected by the Company. The impact on the insurance sector in Saudi Arabia as a result of certain trends and specific events such as keeping pace with the progress in economic growth in the Kingdom of Saudi Arabia and continued reforms in social welfare system is generally considered a future prospect not clear at the moment, so the growth and development of the insurance market in the Kingdom of Saudi Arabia are subject to several uncertain projections beyond the control of the Company. The insurance market growth may vary from one insurance product to another. As part of its overall strategy, the Company focuses on specific insurance products without others, and so if these products do not grow as currently expected, the Company's profits and revenues will be adversely and materially affected.

2.3 Risks relating to the Company's Shares

2.3.1 Risks related to Potential Volatility in the Share Price

The market price of the Company's shares during the Trading Period may not be indicative of the market price of the Company's shares after the Offering. In addition, the Company's share price may not be stable and could be significantly affected by fluctuations resulting from a change of market trends in connection with the Rights or the Company's existing Shares. These fluctuations may also result from several factors including, and economical and political conditions, share market conditions, any regulatory changes in the industry, any changes in the conditions and trends of this sector, deterioration of the Company's performance, inability to carry out future plans, speculation over the Company's operations, entry of new competitors, announcements by the Company or its competitors regarding mergers, acquisitions, strategic alliances, joint ventures, and changes in financial performance estimates through securities experts and analysts.

2.3.2 Risk related to selling a large number of shares and offerings in future

The sale of a large number of the Company's shares by the shareholders or the perception that this sales will occur, or if the Company issues any additional shares in the future, this may negatively affect the price of the shares in the market. In addition, investors face the risk of the possibility of not being able to sell their shares in the secondary market without adversely affecting the price. If this happens after exercise of the Rights by investors, this exercise cannot be canceled or modified. Consequently, investors may immediately suffer from unrealized losses. Moreover, there is no guarantee that the shareholder will be able to sell its shares at a price equal to or higher than the issue price after the exercise of the rights.

2.3.3 Risks related to 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, as compared to the authorized limits of price change for trading in the Shares. In addition, as the trading price of the Rights depends on the trading price of the Company's Shares, the Rights price will be affected by the Company's performance, as well as several other factors that include political and economic conditions, regulatory changes and competitive environment.

2.3.4 Risks related to Lack of Demand for the Rights and Company's Shares

Currently there is no market for trading the Company's Rights, and there is no guarantee that the Rights trading in Tadawul system will produce an active and evolving market during the Rights trading period. There is no guarantee that there will be sufficient demand for the Company's Rights during the Trading Period, in order to enable the holder of such Rights (whether a Registered Shareholder or new investor) to sell the Rights and achieve profit. There is also no guarantee that there will be sufficient demand for the Company shares by the institutional investors during the Rump offering period. In case of institutional investors did not submit offers to buy the remaining shares at a higher price, there may not be enough compensation amount to be distributed to holders of non-exercised priority rights. Moreover, there is no guarantee that there will be enough demand in the market on the shares acquired by the subscriber either (a) through the exercise of priority rights to these shares, (b) through the rump offering, or (c) from the open market.

2.3.5 Risks related to Trading in the Rights

Trading in Rights is subject to risks that may cause substantial losses, because the range of daily fluctuation allowed for rights trading prices exceeds the range of the daily volatility allowed for stock prices (10% up and down from the closing price of the previous day). There is also a direct correlation between the Company's share price and the indicative value of the right. Accordingly the daily price limits (i.e., the range of the daily volatility) for rights trading are affected by the daily price limits for stock trading.

In case the subscriber fails to sell the existing Rights before the end of the Trading Period for these rights, he will be forced to exercise these Rights to subscribe for New Shares and may incur some losses. Thus, subscribers should review the full details of the mechanism of listing and trading of Rights and the functioning method thereof and should be aware of all the factors affecting them, to make sure that any investment decision will be based on complete awareness and understanding.

2.3.6 Potential Dilution of Shareholding (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.

2.3.7 Risks related to Failure to Exercise the Rights in a Timely Manner

The Eligible Persons and financial intermediaries representing them should take the appropriate measures to comply with all required instructions for exercising the subscription rights 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 18 "Subscription Terms and Instructions").

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 subscribers who are not exercising their rights or who have not properly taken the procedures to subscribe, which may expose them to loss or decrease in the value of their investment portfolios.

If the major shareholders do not exercise their rights and sell them, no guarantee can be given that there will be enough demand to cover this offering, which will result in drop of Rights trading price.

2.3.8 Effective Control by the Major Shareholders

IGI underwriting owns 10.5% of the Company shares. Collusion of the major shareholder with any other shareholders may influence important decisions of the Company, specifically those requiring shareholders' approval, including significant corporate expenditures and appointment and termination 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, major (dominant) shareholders may exercise their powers in a manner that could have a significant impact on the Company's business, financial condition and results of operations.

In case the major shareholder sells its shares in the Company after obtaining the approval of the SAMA and CMA, the Company will lose its strategic ally, which could affect its strategy, management and financial performance. Moreover, if the major shareholder sells its shares in the Company, the Share market price could also be adversely affected.

2.3.9 Risks related to 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 deem significant from time to time. Increase in capital may lead to dilution in the profitability of shares which may affect the Company's Share market price.

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 By-Laws (see Section 13 "Summary of the Company's By-Laws") and subject to SAMA's approval. The Company has not paid any dividends to its Shareholders since its incorporation.

2.3.10 Risks related to Expiry of Lock-up Period

Upon foundation of the Company and listing and trading its shares on 17/07/2007G, 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 announcement of the financial results for fiscal year 2010G. Accordingly, the founding shareholders have the right to dispose their shares after obtaining SAMA and CMA approvals. The sale or purchase of more shares by the founding shareholders would have impact on the Company's share value, and change in the effective control of its decisions.

3. Market and Industry Overview

3.1 Sources of Information

In this Prospectus, information and data regarding insurance industry and market have been obtained from different sources, and it is believed that these information, resources and estimates are reliable. The Company has made all reasonable inquiries as to the accuracy of the information obtained from these sources. While neither the Company nor its board or any of its advisors whose names appear in on page (viii) 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 by any person, and no representation is made with respect to the accuracy or completeness of any of this information. The sources include:

Saudi Arabian Monetary Agency (SAMA):

Report and statistics of SAMA about the insurance market in Saudi Arabia. Information published by SAMA is publicly available and can be obtained via the Internet, and therefore written consent to use this information in the Prospectus has not been sought. SAMA, as the Central Bank of the Kingdom of Saudi Arabia, was founded in 1372H (1952G). The main functions of SAMA include:

The main Functions of SAMA include:

- Issuing the national currency, the Saudi Riyal;
- Acting as a banker to the government and supervise 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.
- Supervising insurance companies.

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. Swiss Re issues reports on insurance sector all over the world and these reports are available for public in its website. The information obtained from Swiss Re is publicly available and obtainable from internet therefore no consent has been pursued to use such information.

3.2 Overview of the Saudi Economy

The economy of KSA is a stable economy, supported by government spending, as the Kingdom's actual revenues increased from SAR 564.3 billion in 2005G, to SAR 1,131 billion in 2013G. The actual government spending amounted to SAR 346.5 billion in 2005G, while it reached SAR 925 billion in 2013G. For 2014G, revenues were estimated SAR 855 billion with similar amount for government expenses. The following table shows the evolution of the actual income and expenses (in SAR billions) from 2005G to 2013G:

1- Table (3-1): Evolution of the actual income and expenses (in billions of Saudi Riyals) from 2005G to 2013G:

Year	Actual Revenues	Actual Expenses	Actual surplus / deficit
2005G	564.3	346.5	217.8
2006G	673.7	393.3	280.4
2007G	642.8	466.2	176.6
2008G	1,101	520.1	580.9
2009G	509.8	596.4	(86.6)
2010G	741.6	653.9	87.7
2011G _p	1,117.8	826.7	291.1
2012G _p	1,239.5	853	386.5
2013G	1,131	925	206

Source: Data collected from the Ministry of Finance website

3.3 Overview of the insurance market in Gulf Cooperation Council (GCC) countries

The insurance sector is considered to be of the least-developed economic sectors in GCC countries in Middle East and North Africa (MENA) region as a whole, as it is a new sector compared to the most advanced countries of the world. However, it has witnessed a steady growth due to economic development, population growth, improvement of the regulatory environment and increased awareness of the importance of insurance. Also, the low insurance penetration rates, despite the underlying growth factors, there is still great opportunities for insurance companies in GCC countries. It is expected that the maturity of the regulatory structure of the insurance sector will continue in line with the positive regulatory developments undertaken by the companies operating in the insurance sector in order to achieve greater increase in size and operational efficiencies.

It is expected that the openness of the economies of countries in the region and the endeavors of their governments to develop legislative systems and increase investments will positively impact the insurance sector and ensure the continuity of growth in the coming years. It is also expected that the insurance sector will benefit from the significant expansion in the construction and infrastructure activities, where a large portion of oil revenues is being converted to develop non-oil sectors to support economic diversification. This is in addition to the increasing penetration of medical insurance and motor insurance due to the compulsory insurance and increase in the sales of new cars.

The following table illustrates the economic indicators of the insurance market in the GCC countries in 2013G, with a total premiums written in these countries amounted to about USD 18,378 million. United Arab Emirates is on the top of insurance market in the region at a rate of 43.3% of the total written premiums, then the Kingdom of Saudi Arabia at a rate of 34.6% of the total written premiums.

2- Table (3-2): Insurance market in GCC countries in 2013G

Country	Total insurance written premiums (USD million)			Population (million)	Gross domestic product (USD billion)	Insurance penetration (Percentage of GDP)		
	Protection & Savings	General & Health Insurance	Total			Protection & Savings	General & Health Insurance	Total
Bahrain	173	515	688	1.2	33	0.52%	1.56%	2.08%
Kuwait	182	770	952	2.9	195	0.09%	0.39%	0.49%
Oman	88	859	947	2.9	83	0.11%	1.03%	1.14%
Qatar	64	1407	1,471	2.1	211	0.03%	0.67%	0.70%
Saudi Arabia	256	6105	6,361	28.8	745	0.03%	0.82%	0.85%
U.A.E	1933	6026	7,959	9.1	396	0.49%	1.52%	2.01%

Source: Swiss Re report 2014G

3.4 Insurance sector in the Kingdom of Saudi Arabia

Insurance business began in the Kingdom of Saudi Arabia through agencies and branches of foreign companies (the majority of which from Bahrain), and that was before 1974G. Then Saudi Insurance Company was founded in 1974G, and then Red Sea Insurance Company was founded followed by Saudi United Insurance Company in 1976. In 1977G, Resolution No. 51 was issued by the Council of Senior Scholars, which decided that the cooperative insurance is considered acceptable in Islamic law. The National Company for Cooperative Insurance was founded in 1985G and named after Al-Tawuniya Insurance Company aiming to provide insurance for major projects and retain a large percentage of the insurance premiums within the Kingdom. Cooperative insurance became the form through which insurance is provided in the Kingdom of Saudi Arabia, as it is permissible in terms of Shariah compliance, other than commercial insurance. Foreign insurance companies continued to work in Saudi Arabia as an intermediary between agents and reinsurance companies abroad.

In 1999G, the Royal Decree No. M/10 was issued, regarding the cooperative health insurance Law. Then the Council of Ministers Resolution No. 222, was issued in 2001G, containing the insurance regulation regarding driver's license in 2001G.

In 2005G, Royal Decree No. M/32 regarding Cooperative Insurance Companies Control Law was issued determining the general framework for the practice of insurance in the Kingdom of Saudi Arabia, which is the cooperative insurance, and identifying the party responsible for implementation of the law, which is the Saudi Arabian Monetary Agency (SAMA). In the same year, resolution No. 415 was issued granting a transitional period of three years (up to 2008G) to existing insurance companies to adjust their situations to engage in cooperative insurance activity. As a result, new companies applied to get licenses in accordance with the cooperative insurance regulation. SAMA allowed the companies, which had their files reviewed, and the Companies which had a royal decree issued to establish, but yet to complete procedures of establishment, to renew insurance policies to customers for a period ended on 17 Feb. 2010G.

Currently the number of insurance companies operating in the Kingdom of Saudi Arabia, and listed on the Saudi stock market stands at 35 companies as at 30/09/2014G, as follows:

1. National Company for Cooperative Insurance ("Tawuniya")
2. Mediterranean & Gulf Cooperative Insurance & Reinsurance ("Med Gulf")
3. Malath Cooperative Insurance & Reinsurance Company
4. Alahlia for Cooperative Insurance Company
5. Al-Ahli Takaful Company ("ATC")
6. SABB Takaful Company
7. MetLife AIG ANB Cooperative Insurance Company
8. Arabian Shield Cooperative Insurance Company
9. Saudi IAIC for Cooperative Insurance ("SALAMA")
10. Gulf Union Cooperative Insurance Company
11. Saudi Fransi Cooperative Insurance Company ("Allianz SF")
12. Sanad Insurance & Reinsurance Cooperative Company ("SANAD")
13. Trade Union Cooperative Insurance Company
14. Al Sagr Company for Cooperative Insurance
15. Wafa Company for Cooperative Insurance
16. Arabia Insurance Cooperative Company
17. Saudi United Cooperative Insurance
18. BUPA Arabia for Cooperative Insurance
19. Saudi Re for Cooperative Reinsurance Company
20. United Cooperative Assurance
21. Saudi Arabian Cooperative Insurance Co. (SAICO)
22. Allied Cooperative Insurance Group ("ACIG")
23. Wiqaya Takaful Insurance & Reinsurance Company
24. Al Rajhi Company for Cooperative Insurance
25. AXA Cooperative Insurance Company
26. Ace Arabia Cooperative Insurance Company
27. Buruj Cooperative Insurance Company
28. Al Alamiya for Cooperative Insurance
29. Gulf General Insurance Company
30. Solidarity Saudi Takaful Company
31. Wataniya Insurance Company
32. Amana Cooperative Insurance Co.
33. Saudi Enaya Insurance Co.
34. Alenma Tokyo Marine for Cooperative Insurance
35. AlJazira Takaful Cooperation Co.

3.5 Gross written premiums

Insurance can be classified into three types: Health insurance, Protection and Savings insurance, and General insurance which includes the following insurance activities:

- Accidents, liability and other insurance
- Motor insurance
- Property/fire insurance
- Marine Insurance
- Aviation Insurance
- Energy Insurance
- Engineering Insurance

3- Table (3-3): Total written premiums (SAR million) from 2005G to 2013G

Line of Business	Accidents, liabilities and Others	Motor	Property/ Fire	Marine	Aviation	Energy	Engineering	Total General Insurance	Total Health Insurance	Total Protection and Saving Insurance	Total Written Premiums
2005G	424.00	1,587.30	643.50	382.00	135.10	121.60	296.40	3,589.90	1,370.30	193.20	5,153.40
2006G	579.60	1,920.20	769.20	431.40	126.10	126.70	543.70	4,496.90	2,222.20	217.90	6,937.00
2007G	577.30	2,440.20	742.20	531.60	114.50	305.30	479.70	5,190.80	3,065.00	327.00	8,582.80
2008G	531.30	2,542.10	798.40	619.60	138.50	208.20	682.10	5,520.20	4,805.20	593.70	10,919.10
2009G	543.74	3,055.42	904.93	525.02	174.10	301.73	810.31	6,315.25	7,291.96	1,002.85	14,610.06
2010G	506.81	3,238.77	958.73	518.16	304.54	328.87	869.24	6,725.13	8,690.10	972.21	16,387.44
2011G	631.50	3,922.20	1,156.70	634.10	272.14	361.00	912.50	7,890.14	9,708.40	905.10	18,503.64
2012G	690.90	4,689.20	1,348.40	743.10	67.07	384.60	1,076.60	8,999.87	11,285.40	888.50	21,173.77
2013G	940.80	6,354.70	1,664.50	740.30	144.00	456.00	1,199.70	11,500.00	12,895.00	844.50	25,239.50

Source: SAMA

Total insurance premiums written for all insurance activities in the Saudi insurance market amounted to nearly SAR 25.2 billion in 2013G, up by 19.2% from the year 2012G, where total premiums written amounted to about SAR 21.2 billion, compared to SAR 18.5 billion in 2011G. Compound Annual Growth Rate (CAGR) of total written premiums rate has reached 16.8% during the last three years (2011G-2013G).

Total general insurance written premiums amounted to SAR 11.5 billion in 2013G, up by 27.8% from 2012G, where it amounted to SAR 9 billion, while it was SAR 7.9 billion in 2011G. It increased during the past three years at a compound annual growth rate of 20.7%.

The total written health insurance premiums, amounting to SAR 12.9 billion, rose by 14.3% in 2013G, while it reached 11.3 billion riyals reached in 2012G, up by 16.2% from the year 2011G where it reached SAR 9.7 billion, and the compound annual growth rate of total written health insurance premiums reached about 15%.

It is noted that the total protection and savings insurance written premiums has fallen during the past three years from SAR 905 million in 2011G to SAR 889 million in 2012G to SAR 844 million in 2013G. The following table shows the written insurance premiums for each activity as a percentage of the total written insurance premiums.

4- Table (3-4): Insurance written premiums for each activity as a percentage of total premiums (2005G -2013G)

Year	Accidents, liabilities and Others	Motor	Property/ Fire	Marine	Aviation	Energy	Engineering	Total General Insurance	Total Health Insurance	Total Protection and Saving Insurance	Total Written Premiums
2005G	8.2%	30.8%	12.5%	7.4%	2.6%	2.4%	5.8%	69.7%	26.6%	3.7%	100.0%
2006G	8.4%	27.7%	11.1%	6.2%	1.8%	1.8%	7.8%	64.8%	32.0%	3.1%	100.0%
2007G	6.7%	28.4%	8.6%	6.2%	1.3%	3.6%	5.6%	60.5%	35.7%	3.8%	100.0%
2008G	4.9%	23.3%	7.3%	5.7%	1.3%	1.9%	6.2%	50.6%	44.0%	5.4%	100.0%
2009G	3.7%	20.9%	6.2%	3.6%	1.2%	2.1%	5.5%	43.2%	49.9%	6.9%	100.0%
2010G	3.1%	19.8%	5.9%	3.2%	1.9%	2.0%	5.3%	41.0%	53.0%	5.9%	100.0%
2011G	3.4%	21.2%	6.3%	3.4%	1.5%	2.0%	4.9%	42.6%	52.5%	4.9%	100.0%
2012G	3.3%	22.1%	6.4%	3.5%	0.3%	1.8%	5.1%	42.5%	53.3%	4.2%	100.0%
2013G	3.7%	25.2%	6.6%	2.9%	0.6%	1.8%	4.8%	45.6%	51.1%	3.3%	100.0%

Source: SAMA

3.6 Net written insurance premiums

5- Table (3.5) Net written premiums (SAR million) from 2005G to 2013G

Line of Business	Accidents, liabilities and Others	Motor	Property/ Fire	Marine	Aviation	Energy	Engineering	Total General Insurance	Total health insurance	Total protection and saving insurance	Total written premiums
2005G	182.70	1,486.90	69.20	112.70	4.00	0.10	57.00	1,912.60	1,106.60	149.70	3,168.90
2006G	243.40	1,814.10	80.80	124.40	4.30	-	84.20	2,351.20	1,842.50	153.20	4,346.90
2007G	219.20	2,297.30	84.10	169.80	3.60	2.40	97.60	2,874.00	2,403.10	266.80	5,543.90
2008G	217.30	2,458.70	95.40	201.50	5.50	0.90	122.20	3,101.50	3,750.90	468.20	7,320.60
2009G	244.31	2,944.08	105.15	183.23	1.10	5.19	125.32	3,608.38	5,556.86	907.98	10,073.22
2010G	275.91	3,098.80	126.52	175.35	4.84	7.58	113.92	3,802.92	7,120.02	876.81	11,799.75
2011G	279.80	3,710.60	135.50	204.90	1.24	7.40	131.20	4,470.64	8,225.10	841.20	13,536.94
2012G	329.00	4,408.20	203.20	229.50	2.39	7.30	165.90	5,345.49	9,951.30	767.00	16,063.79
2013G	391.00	5,967.00	281.60	241.50	3.60	7.50	180.30	7,072.70	11,456.00	714.00	19,242.70

Source: SAMA

Net written premiums is known as premiums held by the insurance company after deducting the premiums ceded to the local and international reinsurance companies from the gross written premiums by line of business.

Total net written premiums rose from SAR 13.5 billion in 2011G to SAR 16.1 billion in 2012G, by 18.7%, and then rose to SAR 19.2 billion in 2013G by 19.7%. During the past three years (2011G -2013G) motor insurance and health insurance accounted in average for 89% of the total net written premiums. Health insurance has maintained its position as the biggest insurance activity, with an average rate of 61% of the total net premiums written in the past three years. Then motor insurance comes in second place at an average rate of 29% of the total net written premiums.

3.7 Retention Ratio

6- Table (3-6): Net written premiums ratio of total premiums written in 2009G to 2013G

Line of Business	2009G	2010G	2011G	2012G	2013G
Medical Insurance	76.2%	81.9%	84.7%	88.2%	88.8%
Motor Insurance	96.4%	95.7%	94.6%	94.0%	93.9%
Property/fire insurance	11.6%	13.2%	11.7%	15.1%	16.9%
Accidents. liability and other insurance	44.9%	54.4%	44.3%	47.7%	41.6%
Engineering Insurance	15.5%	13.1%	14.4%	15.4%	15.0%
Marine Insurance	34.9%	33.8%	32.3%	20.9%	32.6%
Protection and Saving Insurance	90.5%	90.2%	92.9%	86.30%	84.50%
Power Insurance	1.7%	2.3%	2.1%	1.9%	1.6%
Aviation Insurance	0.6%	1.6%	0.5%	3.6%	2.5%
Total	68.9%	72.0%	73.2%	75.9%	76.2%

Source: SAMA

Retention ratio is defined as the net written premiums (NWP) ratio out of the gross written premiums (GWP). i.e., the ratio retained by the insurance company. The newly licensed insurance companies should adhere to the minimum retention ratio of 30%, according to the Implementing Regulations. Total retention ratio for insurance companies in the Saudi market reached about 73.2% in 2011G, then rose to 75.9% in 2012G, then to 76.2% in 2013G. This rise is due to the high rate of motor insurance premiums of total premiums written in 2012G, and 2013G, raising the retention ratio of this line of business.

3.8 Distribution of the market share of insurance companies

It is noted in the insurance market in the Kingdom of Saudi Arabia that most insurance companies lack the ability of pricing for its products, where they should be in line with the market price of the top insurance companies. There are three insurance companies accounting for a total of 51.2% of the gross written premiums, while 33 insurance companies share the remaining ratio of 48.8%. As shown in the table below, the first company acquires a market share of 22.2% of gross written premiums:

7- Table (3-7): Market shares of the leading insurance companies in Kingdom of Saudi Arabia over the years (2010G -2013G)

Insurance company	Gross written premiums (SAR million)				Market share			
	2010G	2011G	2012G	2013G	2010G	2011G	2012G	2013G
Al-Tawuniya	4,181	4,431	5,635	5,605	25.5%	23.9%	26.6%	22.2%
Medgulf	2,623	2,811	3,318	4,138	16.0%	15.2%	15.7%	16.4%
Bupa	1,749	1,993	2,194	3,177	10.7%	10.8%	10.4%	12.6%
UCA	851	1,069	1,024	1,293	5.2%	5.8%	4.8%	5.1%
Trade Union	410	538	561	877	2.5%	2.9%	2.6%	3.5%
Axa	952	428	460	776	5.8%	2.3%	2.2%	3.1%
Malath	600	601	558	771	3.7%	3.2%	2.6%	3.1%
Alianz	523	684	621	746	3.2%	3.7%	2.9%	3.0%
Other insurers	4,498	5,949	6,803	7,856	27.4%	32.1%	32.1%	31.1%

Source: SAMA

3.9 Cooperative Insurance Companies Control Law and Implementing Regulations

The Cooperative Insurance Companies Control Law was approved by Royal Decree number M/32 dated 02/06/1424H which set the stage 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, Implementing Regulations were issued by Ministerial Decree No. 1/596 dated 1/3/1425H (corresponding to 20/4/2004G) to govern the insurance business in the Kingdom. Some of the salient features of 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 of insurance operations must be transferred 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.

3.10 Demand and drivers of Insurance Products

Below is a summary of growth factors expected for the insurance market in the Kingdom of Saudi Arabia:

1. Compulsory Health Insurance Program

The Council of Ministers issued resolution No. 71 dated 27/04/1427H (corresponding to 11/8/1999G), announcing that health insurance shall become mandatory in the KSA for expatriate workers. Health Insurance Council was established on 01/01/1422H (26/03/2001G) in order to implement and oversee the compulsory medical insurance in the Kingdom.

The law was aimed at easing the financial burden on the Government, which offers free medical services to for more than 22 million people. The new cooperative health insurance program, which was implemented in three phases, covers about 6 to 7 million expatriates. The first phase, implemented in June 2006G, required companies with more than 500 expatriate workers to provide medical insurance cover for their employees, covering 450 companies employing over 500,000 expatriates. The second phase covered companies with 100 to 500 expatriate workers, while the third and final phase, started in September 2008G, covered companies with an expatriate work force of less than 100. It is expected that medical insurance will eventually be made compulsory for all Saudi nationals.

2. Compulsory Motor Insurance

In 2002G, owing to the high rate of car accidents, Kingdom of Saudi Arabia imposed third-party liability insurance for foreign vehicles transiting in the KSA, and also imposed third-party liability insurance as a precondition for Saudi nationals and expatriates within the country to renew their driving licenses. According to Ministerial Resolution No. 271 dated 25/12/1427H, compulsory motor insurance compulsory instead of the driving license insurance.

This compulsory motor insurance initiative, coupled with a growth in the number of cars registered in the Kingdom, has resulted in a significant high demand for insurance and dramatic increase in the issued insurance policies. Due to the remarkable growth in the economy, both locally and regionally, due to higher crude oil prices, it is expected that increasing demand for protection and insurance will continue, especially during the four years based on the increase in the number of registered vehicles.

3. Protection and Savings Insurance

The protection and savings insurance does not almost exist in the Kingdom of Saudi Arabia, due to cultural and religious reasons, and other factors such as lack of awareness of protection and savings insurance products. As the market is shifting to become officially regulated and more developed market, and also due to the increased awareness among consumers, it is expected that the level of traditional protection and savings insurance products as well as Takaful products will increase.

In addition, with the entry of new firms into the Saudi insurance market, is expected that each insurance company to provide more developed and prepared products for the required purposes to increase its market share, and that will lead to a change in the insurance products that will offered. Products such as credit insurance and mortgage insurance and recoverable and adjustable life insurance, and all these products are not available in the Saudi market. In addition, the degree of development will grow and marketing channels will further expand.

3.11 Future Developments

The insurance industry in Saudi Arabia is expected to undergo significant development as a result of not only the new insurance regulations, but also of changes in the macroeconomics as well as new Government policies and regulations, demographic structure, and citizen's culture and awareness of insurance services. These developments include:

- It is expected that foreign insurance companies increase their presence in the Kingdom taking the advantage of the high technical knowledge, distribution of capacities, customer trends, and financial strength.
- It is expected that the financial solvency of insurance companies will increase, as SAMA issued preliminary approval to six companies to raise their capital through rights offering. If the capital of these companies is actually raised it will directly improve their financial solvency.

- It is expected that insurance companies will increasingly feel the importance of the need have more effective and systematic risk management operations in the future.
- Intense competition may result in decreased premiums and profits. Under such competition, business will likely be consolidated through mergers or market exits before investments mature and large returns are yielded.
- Licensed companies will likely operate in a more transparent environment due to joint stock company requirements and regulatory reporting requirements.
- Introduction of compulsory health insurance for non-Saudis and implementation of a similar system covering Saudis will lead to a significant increase in insurance companies' client base.
- The majority of insurance companies are working to develop new insurance products in the Saudi insurance market in response to rapid changes in business environment.
- Saudi Arabian Monetary Agency (SAMA) is constantly working to develop, organize, and increase the effectiveness of the insurance market in the Kingdom.
- Some insurance companies operating in the general insurance and health insurance sectors may resort to diversify their activities by adopting protection and savings insurance activity with the growing cultural awareness and promotion of insurance.

4. Company Background

4.1 Introduction

The Saudi United Cooperative Insurance Company ("Wala'a"), a Saudi joint stock company, headquartered in Al Khobar, King Abdullah Street, Rabiah & Nasser building, P.O Box 31616, Al Khobar 31952. It was incorporated under the Council of Ministers Resolution No. (233), dated 16/09/1427H (Corresponding to 9/10/2006G), and Royal Decree No. (M/60), dated 18/09/1427H (corresponding to 11/10/2006G). It is registered under Commercial Registration No. 2051034982, dated 19/06/1428H (Corresponding to 05/07/2007G).

The Company is licensed as an insurance and reinsurance company by the Saudi Arabian Monetary Agency, which is the official body responsible for the application of the Insurance Control Law and its Implementing Regulations. The Company practices general and health insurance business, including motor insurance, medical and engineering insurance, medical malpractice insurance, fire insurance, marine insurance and general liability insurance according to the provisions of the Islamic law. Contrary to what is mentioned, the Company's management does not have any intention at the present time to make any fundamental change to the main activity of the Company.

The Company's current capital is two hundred million Saudi Riyals (SAR 200,000,000), divided into twenty million (20,000,000) shares of equal value, with a nominal value of ten Riyals (SAR 10) per share all of which are fully paid. The Founding Shareholders have subscribed for a total of 60% of the Company's share capital, while the public subscribed for (40%) of the total shares offered for public subscription on 17/3/2007G. The Company has obtained the approval of the Saudi Arabian Monetary Agency (SAMA) to increase its capital in the amount of two hundred million (SAR 200,000,000) per letter No. 351000081751, dated 23/06/1435H (Corresponding to 23/04/2014G) through the issue of rights. Upon the completion of subscription in the new shares, the Capital will become four hundred million (SAR 400,000,000) divided into forty million (40,000,000) ordinary shares at a nominal value of SAR 10 per share. On 01/07/1435H (Corresponding to 30/4/2014G), the Board of Directors has recommended an increase of capital to meet the needs for leveraging the financial solvency.

4.2 The Most Significant Dates and Developments

- The Founding Shareholders obtained a license to incorporate the Company per Royal Decree No. (M / 60) dated 18/09/1427H (Corresponding to 11/10/2006G) and the Council of Ministers Resolution No. (233) dated 16/09/1427H (Corresponding to 09/10/2006G).
- The Company shares were offered through an IPO on 27/02/1428H (Corresponding to 17/03/2007G).
- The Company was founded on 19/06/1428H (Corresponding to 05/07/2007G)
- The Company shares were listed in the Saudi Stock Exchange on 02/07/1428H (17/07/2007G).
- The Company has obtained approval of the Saudi Arabian Monetary Agency to practice insurance business, and was allowed to commence its activity as of 26/06/1429H (Corresponding to 01/07/2008G).
- The Company started its operation on 27/06/1429H (Corresponding to 02/07/2008G).
- The Company has obtained approval from the Cooperative Health Insurance Council as a licensed health insurance company on 06/08/1429H (Corresponding to 09/08/2008G).
- The Company has obtained approval of the Saudi Arabian Monetary Agency per letter No. 351000081751, dated 23/06/1435H (Corresponding to 23/04/2014G) to increase its capital.

4.3 The Company's Vision

To become the leading company in the insurance industry in terms of customers satisfaction by the Company services, and to add a real value to shareholders by earning profits.

4.4 The Company's Mission

- To be one of the best insurance companies in the Kingdom by 2015G.
- Achieve a high degree of efficiency and good management
- Full attention to customer service
- Focus on earning profits

4.5 The Company's Capital Structure

The Company's current capital is two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) shares of equal value, at a nominal value of ten Riyals (SAR 10) per share all of which are fully paid. The Founding shareholders have subscribed for twelve million (12,000,000) shares representing (60%) of the total shares offered for public subscription, while the public subscribed in eight million (8,000,000) shares, representing 40% of the total shares offered for public subscription on 17/03/2007G. The Company has not granted any privileges or preferential rights to the Founding Shareholders or other shareholders.

4.6 The Founding Shareholders of the companies who own 5% or more as of 30 September 2014G.

8 – Table (4-1): Shareholders who own 5% or more of the Company's shares as of 30 September 2014G

Name	Nationality	Percentage of Ownership	Number of Shares	Total Value
International General Insurance (IGI) Underwriting	Jordan	10.5%	2,100,000	21,000,000

Source: Company

The Company's shares were listed on "Tadawul" on 17/07/2007G; therefore, the ban period on the disposal of shares had elapsed several years ago, and there are no restrictions on the shares of the Company's Founding Shareholders. Consequently, Founding Shareholders are entitled to dispose of their shares after obtaining the approval of the Saudi Arabian Monetary Agency and the Capital Market Authority.

Overview on IGI Underwriting Company.

IGI Underwriting is a limited liability company owned by the member of the Board of Directors Wasif Saleem Aljbashah by 0.0001% and the International General Insurance Holding Company (UAE Company) by 99.9999%.

9 – Table (4-2): Structure of ownership of International General Insurance Holding Company as of 30 September 2014G

Name	Number of shares	Percentage of Ownership
Wasif Saleem Aljbashah	59,740,231	41.67%
Oman National Investment Corporation Holding	28,675,104	20.00%
Mohammed Ahmed Abu-Ghazaleh	15,800,000	11.02%
Acro Re	12,903,811	9.00%
IGI Holding	7,900,000	5.51%
Amir Ahmad Abu Ghazaleh	7,900,000	5.51%
Other shareholders	10,456,532	7.29%
Total	143,375,678	100%

Source: Company

IGI Underwriting was incorporated in Amman, Jordan under Commercial Registration number (60) dated 04/10/2001G, and incepted practicing its business in March 2002G. The Company operates in Jordan, Bermuda, Malaysia and the United Kingdom through sister companies. It has emerged among the top companies and institutions that are specialized in rendering insurance services. The two sister companies; in Bermuda and the United Kingdom, are rated (A) by AM Best in 2008G. The Company's business includes Insurance underwriting operations, insurance of energy portfolios at the international level, property comprehensive insurance, maritime shipping insurance, building and construction operations insurance, engineering works insurance, financial institutions processes insurance, Public aviation bodies insurance, work injury insurance, land and sea ports insurance, securing political violence insurance, and re-insurance. The Company focuses its operations in the Asian and African markets.

4.7 Company's Ownership in other companies

Wala'a does not have any subsidiaries or sister companies. However, it has shareholding in two companies:

- (1) Saudi Next Care, a limited liability company incorporated in Khobar, Saudi Arabia, on 09/05/2009G under Commercial Registration No. 2051039287, with paid-up capital of SAR 5,000,000. This company operates in settling insurance claims in accordance with the authorization of the Saudi Arabian General Investment Authority (SAGIA) number 12203002374 and the approval of SAMA per the letter No. 1712 / M TH/MT.
- (2) Najm for Insurance Services, a closed joint stock company incorporated in Riyadh, Saudi Arabia on 18/08/2013G under Commercial Registration No. 1010229751 with a paid-up capital of SAR 50,0000,080 million. It acts as an inspector and loss estimator, insurance claim settlement specialist and insurance agent, under SAMA's approval No. 1916 / M TH/MAT

10 – Table (4-3): Wala'a Ownership in other companies

Company	legal form	Number of Shares	Nominal Value	Total Value	Ownership Ratio
Saudi Next Care	Limited liability company	80,000	SAR 10	SAR 800,000	16%
Najm for Insurance Services	Closed company	192,308	SAR 10	SAR 1,923,080	3,85%

Source: Company

4.8 Strengths and Competitive Advantages

- The Company's has a technically and administratively qualified and well-structured senior management team that creates opportunities of deliberate expansion for the Company and obtains a considerable market share in the insurance market.
- An internally developed Information Technology system that realizes high-speed connectivity with the relevant authorities.
- A Technical Support Team and Customer Service Team to facilitate customers' operations and gain their satisfaction (a hotline for customer service around the clock).
- Commitment to develop and deliver a diverse package of best products and services, with careful consideration to the associated risks.
- A medical care network composed of more than 680 hospitals and clinics across the kingdom.
- The Company acquired a financial strength rating of (B++) and a credit rating of (bbb) with a stable outlook by AM Best.
- The Company has achieved an advanced Platinum level in the area of Saudization (Nitaqat).

4.9 The Company Strategy

The Company has developed a strategy that enables it to achieve its Mission and Vision. The Company aims to become one of the leading companies in providing cooperative insurance services in the Kingdom. The Company's strategy includes the following items:

As it is the case with most insurance companies in the Kingdom, the Company relies on mandatory insurance lines (health insurance and motor insurance), but the Company plans to strengthen other insurance lines (non-mandatory) through making a breakthrough in new markets to obtain a considerable market share in the non-mandatory lines of business.

- The Company aims at adopting and developing new classes of business and products in the non-compulsory insurance lines, so that its insurance portfolio balances between the compulsory and non-compulsory insurance products.
- The Company is working to build and develop dynamic operational plans that are responsive to the changes and challenges encountered in order to take advantage of available opportunities and face threats emanating in the insurance sector.
- The Company does not only focus on increasing its gross written premiums, but also on selecting the quality of customers and study of risks in order to achieve a high rate of customer retention, especially for the health insurance line.
- The strategy seeks to explore real opportunities to introduce new and specialized products.
- The Company continually reviews the risk transfer mechanism through contracting with specialized re-insurance companies with high credit rating.

- Managing and distributing risks through diversification of the Company's business portfolio
- The Company will continue relying on insurance agents in the short term, while it plans and endeavors to take deliberate steps to strengthen its own distribution networks, through recruitment and training of experienced sales teams with vast professional contacts to achieve the desired penetration.
- The Company seeks to gradually reduce its dependence on reinsurers by strengthening its own financial solvency.
- Rationalization of investment policies and the management of the Company's internal and external resources, and reducing expenses and costs, in order to achieve the best returns and profitability.
- The Company seeks to develop the management of human resources through maintaining specialized qualification and training and achieving high levels of Saudization.

Wala'a seeks, through increasing its capital, to strengthen its financial solvency that allows it to achieve the targeted growth. The Company also intends to continue to take advantage of available investment means according to SAMA regulations. The Company plans to take advantage of recent Council of Ministers' decisions which obliged high risk businesses, and activities and sites that are congested with people, whether private or government entities, with third party insurance, coverage of government vehicles with mandatory insurance. It is anticipated that the application of these two decisions will lead to increasing the gross written premiums for all insurance companies.

4.10 Company Products

4.10.1 Products for which the Company has received final approval:

11 – Table (4-4): Products for which the Company has received final approval from SAMA

Number	Name of Product	Product Description	Date of Approval
1	Motor Vehicle Insurance (Mandatory)	Insurance under this policy covers liability on cars to third parties. The Company, under this insurance, will compensate the third party in cash upon the occurrence of any covered damage under the policy as a result of using or parking the car within the geographical boundaries of the Kingdom of Saudi Arabia, against all amounts which the insured or the driver becomes legally liable for paying with respect to: (1) Physical injury that affects third parties while the insured is located inside or outside the car, and (2) Physical damage to the property of others while the insured is present inside the car.	19/05/1435H
2	Medical Insurance Policy	The Company, per this policy, covers the costs of providing medical services to the insured persons (beneficiaries) as per the categories specified by the designated medical providers' network of the Company and in accordance with the terms and conditions and restrictions contained therein in the policy.	03/05/1435H
3	Comprehensive Motor Vehicle Insurance (Private / Commercial)	Per this policy, the Company shall compensate the policy holder for the loss or damage incurred to any vehicle described in the table and its accessories installed therein as a direct result of the risks referred to in the policy. The Company also compensates the third party in cash upon the occurrence of any damage that is covered under the policy as a result of using or parking the car within the geographical boundaries of the Kingdom of Saudi Arabia against all amounts which the insured or the driver becomes legally liable for paying with respect to: (1) physical injury that affects third party while the insured is present inside or outside the vehicle, and (2) the physical damage to the property of the third party while the insured is present inside the vehicle.	19/05/1435H
4	Medical Malpractice Insurance	Insurance, under this policy, covers medical malpractice and payment of all pleading costs incurred with the consent of the Company provided that the total amounts do not exceed the amounts owed for damages (including costs and expenses of the plaintiff) and pleading costs within the compensation limits set forth in the insurance policy annex. However, the Company is not obliged to pay any claim, judgment, arbitration resolution or pleading costs or assumption or continue to assume pleading in the context of any claim or judiciary proceedings after the exhaustion of the maximum compensation prescribed limit.	12/08/1431H
5	Money Insurance Policy.	Under this policy, the Company covers cash money while kept in a locked safe or in an impregnable room and compensate the insured for any loss or damage to the safe or impregnable room as a result of theft or attempted theft.	07/04/1433H

Number	Name of Product	Product Description	Date of Approval
6	Individual Accident Insurance policy	Insurance covers, under this policy, death compensation, total and permanent disability and permanent partial disability compensation.	24/01/1431H
7	Group Accident Protection Policy	Insurance, under this policy, covers death compensation, total and permanent disability and partial disability compensation.	24/01/1431H
8	Glass Insurance Policy	In the case of breaking any glass in the building during the insurance period, and if this fracture extends through the full thickness of the glass as a result of any unexcluded incident or reason, the Company shall replace the broken glass with a glass of similar quality or according to its sole discretion. The value of the broken glass shall be paid to the insured in accordance with the prevailing rates at the date the fracture minus the value of salvaging the glass. The Company shall also pay the reasonable costs of any necessary plates that need to be installed temporarily until the replacement of broken glass.	22/11/1431H
9	Workers' Compensation Insurance Policy	The insurance, under this policy, is to cover the liability of the insured in accordance with the terms of the policy, for the payment of compensation and / or expenses specified in the Saudi labor law regulations. This policy excludes any responsibility for the payment of compensation and/or expenses included in the General Organization for Social Insurance Program or that could have been accepted by the GOSI had the insured been committed to providing and collecting related claims.	20/01/1430H
10	Erection All Risks (EAR) Insurance Policy	The Company, under this policy, covers the loss or damage that occurs to projects which include the installation/fixing of equipment, machinery and devices, ranging from the installation of a single machine to installation of a complete power station. It also includes coverage for damage that occurs to the property of a third party and physical injury to a third party. This policy can jointly be issued on behalf of the contractor and the employer. This policy allows the contractor and the employer to adhere to the insurance requirements for contracts.	15/05/1434H
11	Contractors All Risk Insurance Policy	The policy is specifically designed to cover the loss or damage that occurs to the civil engineering construction projects, which range from the construction of small villa to the construction of bridges and high-rise buildings (excluding special exceptions as stated in the policy).	15/05/1434H
12	Deterioration of Stock in Cold Storage Insurance Policy	Insurance under this policy covers goods stored in cold storages.	15/05/1434H
13	Motor Vehicle All Risk Insurance Policy	The insurance policy provides protection for all operational vehicles against loss as well as the sudden and unexpected damage to the equipment, and vehicles during operation. Insurance coverage includes all fixed and mobile heavy equipment and vehicles against all risks unless excluded under the policy.	15/05/1434H
14	Contractors' Materiel and Equipment Insurance Policy	The Company offers, under this policy, the protection to the Contractors' materiel and equipment, against loss as well as the sudden and unexpected damage to the equipment and vehicles during operation.	15/05/1434H
15	Machinery Breakdown Insurance Policy	The Company provides, under this policy, an effective insurance coverage on hardware, machinery, mechanical equipment at work, or not at work, or during maintenance operations. This insurance covers physical unexpected and sudden losses and or damages incurred to the insured materials that require repair or replacement.	15/05/1434H
16	Machinery Breakdown Loss of Profit Insurance Policy	This insurance coverage provides compensation for the actual losses of gross profits caused by the loss of business as a result of any accidents included in the insurance coverage on devices and machineries.	15/05/1434H
17	Theft Insurance Policy	The Company provides under this policy an insurance coverage against theft associated with violence to enter or exit to or from the building.	13/11/1433H

Source: Company

4.10.2 Products that the Company has received interim approval on for a period of six months from the date of approval

12 – Table (4-5): Products that the Company has received interim approval on from SAMA

No	Name of Product	Description of Product	Date of Interim Approval
1	General liability Insurance	Taking into account the terms and conditions, exclusions and limitations of liability set forth in the insurance policy annex, the Company compensates the insured with all sums the insured becomes legally liable for payment as compensation imposed on him under the regulation with respect to (1) death or physical injury resulting from an accident and that affect any person who is not covered under a contract or vocational training with the insured, so when death or injury occurs outside the territory and during work or affect a an insured family member, and (2) damage to property owned by the insured, leased or rented or bought in installments or other properties that are in the care or custody of the insured or under his control, with the exception of the buildings occupied by the insured temporarily for business or other property that are in the possession of the insured on a temporary basis for the purpose of the work or the employee or visitor property.	19/01/1436H
2	Property Comprehensive Insurance Policy	Insurance, under this policy, aims at covering the insured property or any part thereof in the event of exposure to physical damage or destruction by mistake. The property may include: Buildings (including fixtures and their fittings that belong to the owner), machineries and equipment, devices, tools and inventory (products, materials and spare parts), furniture, office equipment, and fixtures.	19/01/1436H
3	House Insurance Policy	Insurance under this policy is to cover the insured against any loss or damage caused to the insured building / buildings. The buildings include: annex buildings, garages, gates, fences, walls and internal fuel tanks, swimming pools, water pipes, gas pipes, ground drainage pipes, and electricity cables related to the main electrical source of power.	19/01/1436H
4	Insurance policy against fire and various risks and burglaries	Insurance covered under this document any physical property damage if caused by fire, lightning or fire following the explosion. The property can include: buildings (including fixtures and fittings of the owner), machinery and equipment, devices, tools and inventory (products, materials and spare parts), furniture, office equipment, and fixtures.	19/01/1436H
5	Shipped goods insurance policy (in-transit) or (Travel-in bound)	Insurance, under this policy, covers any loss or significant damage caused to the goods and the resulting from collision, fire or rollover.	19/01/1436H
6	Electronic Equipment Insurance Policy	Insurance, under this policy, covers electronic equipment.	19/01/1436H
7	Fidelity Guarantee Insurance	This type of insurance covers financial losses that the policyholder may incur as a result of any act of fraud or dishonesty committed by any employee who work for the policyholder.	19/01/1436H
8	Traveler Care Insurance Policy*	This policy covers emergency expenses incurred outside the Kingdom of Saudi Arabia, subject to its maximum limit as stated in the Schedule of Benefits enclosed to the policy, including medical and surgical emergency treatment, additional and reasonable necessary accommodation, travel expenses and emergency medical readmission.	30/05/1435H
9	Professional Liability Insurance Policy	This type of insurance enables professional business owners to protect themselves ageist legal liability they may face which may vary according to their specialties (civil engineers, architects, etc.).	19/01/1436H
10	Hull Marine Insurance policy	The Company, under this policy, covers ships hulls against risks associated with shipping.	19/01/1436H

No	Name of Product	Description of Product	Date of Interim Approval
11	Marine Shipping Policy (Open Contract)	The insurance, under this policy, covers goods transported by sea or air.	19/01/1436H
12	Marine Shipping Policy (one shipment)	The insurance, under this policy, covers goods transported by sea or air.	19/01/1436H
13	Comprehensive General Liability Policy	The Company, under this policy, provides comprehensive coverage designed to protect the insured against legal liability towards third parties arising from their business activities.	19/01/1436H
14	Loss of Dependency Insurance Policy	The Company, under this policy provides coverage from the net profit resulting from business interruption. This insurance includes coverage for the increased cost of labor after loss.	19/01/1436H
15	Loss of Profits Insurance policy	The Company, under this policy, provides coverage for Loss of "gross profits" after the physical damage due to fire, lightning, storm, hurricane, earthquake, volcanic eruption, flood, etc. This policy applies only when there is an admissible claim under the insurance policy against physical damage to the property.	19/01/1436H
16	Computers Insurance Policy	The Company, under this policy, provides insurance coverage to Computers and their peripherals. The Company has obtained a temporary approval on this policy from the Saudi Arabian Monetary Agency for an additional period of 6 months starting from the date of approval.	19/01/1436H
17	Factories Insurance Policy	The Company, under this policy, provides insurance coverage for factories. The Company has obtained a temporary approval of this policy from the Saudi Arabian Monetary Agency for an additional period of 6 months starting from the date of approval.	19/01/1436H
18	Valuable Property Insurance Policy	The Company, under this policy, provides insurance for valuable property. The Company has obtained a temporary approval of this policy from the Saudi Arabian Monetary Agency for an additional period of 6 months starting from the date of approval.	19/01/1436H

Source: Company

*The validity period of the temporary approval of the traveler care insurance policy had expired, and the Company is in the process of renewing this approval.

4.11 Reinsurance

In order to minimize the risks associated with the insurance process, and to reduce the losses and achieve stability of the profits, insurance companies resort to hiring re-insurance companies. This process is done through securing the insurance portfolio directly or converting part of the total insurance premiums to the reinsurers. The success of the insurance companies largely depends upon getting a reinsurer easily with competitive terms and conditions. Wala'a has realized the importance of taking a developmental approach for reinsurance, whereby dependence on relative re-insurance is gradually reduced to the extent permitted by the financial solvency. The Company has contracted with known reinsurers in the Saudi insurance market. The selection criteria for the reinsurer include the following:

- Financial Position Strength
- Quality of Service
- Efficiency in the settlement of claims
- Terms of Coverage
- Price

13 - Table (4-6): Reinsurers with whom the Company deals, as of 30/09/2014G

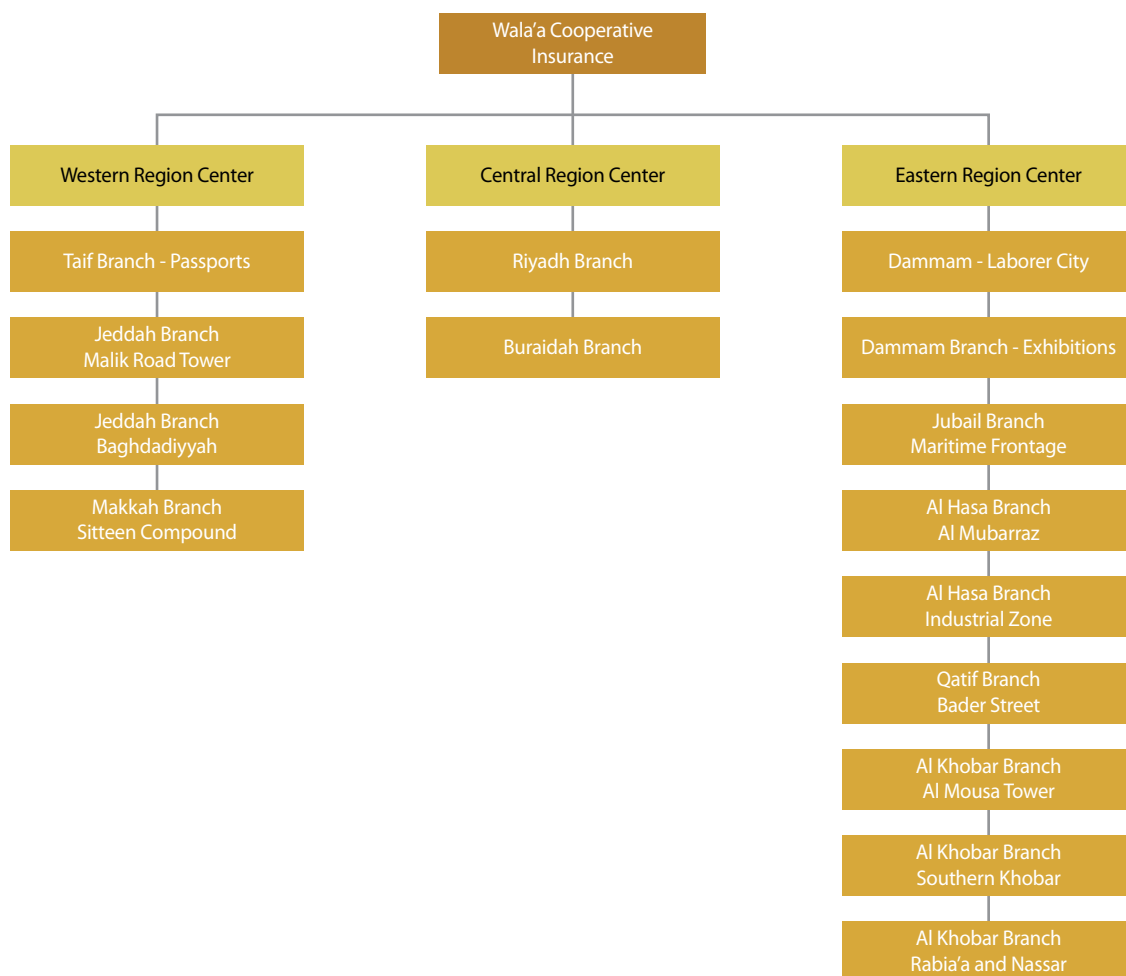
Reinsurer's Name	Territory	Rating Degree	Rating Agency
Saudi Reinsurance Company	Saudi Arabia	BBB+	AM Best
Gulf Reinsurance	United Arab Emirates	A-	Standards and Poor's
ICR for Takaful reinsurance	Bahrain	A-	Standards and Poor's
RV Versicherung Re	Germany	AA-	AM Best
India General Insurance Company	India	A-	Standards and Poor's
Al Fajr Reinsurance Company	Kuwait	B++	Standards and Poor's
Korean Reinsurance Company	Korea	A-	Standards and Poor's
Qatar Reinsurance Company	Qatar	A	Standards and Poor's
Malaysian Reinsurance Bread Company	Malaysia	A-	Standards and Poor's
Takaful Re Limited Company	United Arab Emirates	BBB	AM Best
Sirius International Insurance Corporation	Bermuda	A-	AM Best
Taiping Reinsurance Limited	China	A-	AM Best
Trust Insurance	Bahrain	A-	Standards and Poor's
Lloyd's Company	United kingdom	A-	Standards and Poor's
Best Reinsurance	Lebanon	A+	Standards and Poor's
Kuwait Reinsurance Co.	Kuwait	A-	Standards and Poor's
Tunis Re	Tunisia	B+	Standards and Poor's
Labuan Reinsurance	Malaysia	A-	Standards and Poor's
African Reinsurance Corporation	Nigeria	A-	Standards and Poor's
Arch Reinsurance	Switzerland	A-	Standards and Poor's
SCOR	France	A-	Standards and Poor's
IGI	Jordan	A-	Standards and Poor's

Source: Company

4.12 Company Branches

The Company operates through 15 branches located in the various regions of the Kingdom. These branches have been grouped into three centers: the Eastern Region Center, the Central Region Center and the Western Region Center. The Company does not have any activity outside the Kingdom.

The following figure shows the centers and branches of the Company:



4.13 The Company Staff and Saudization

The number of employees of the Wala'a as of 30/09/2014G stood at 196 employees. The total number of Saudi employees was 104, while the total number of non-Saudi employees was 92. The Company is keen to comply with the trends of the Kingdom in the Saudization of the various positions of the Company, and is working on the certification and training of Saudi workers; therefore, the Saudization rate has reached 53%. The Company continually strives to increase its Saudi staff, and will follow a deliberate plan in the recruitment, training and development, promotions and compensation that will maintain the Saudization requirements. The Company falls under the platinum range of the Saudization Nitaqat Program.

The Company is committed to applying the regulations and instructions of employing non-Saudi staff provided that they are legally employed and sponsored by the Company. Corrective respite by the Ministry of Labor has not adversely affected the Company

14 – Table (4-7): Company employees by geographical region and the main categories of activity as of 31/12/2012G and 31/12/2013G

Branch	As of 31/12/2012G						As of 31/12/2013G					
	Saudis		Non-Saudis		Total		Saudis		Non-Saudis		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Head Office and the Eastern Region Center												
Executive Department	1	25%	3	75%	4	100%	1	25%	3	75%	4	100%
Financial Department	2	29%	5	71%	7	100%	2	33%	4	67%	6	100%
Human Resources Management	13	65%	7	35%	20	100%	8	50%	8	50%	16	100%
Technical Department	27	59%	19	41%	46	100%	32	65%	17	35%	49	100%
Reinsurance Department	2	67%	1	33%	3	100%	1	50%	1	50%	2	100%
Marketing and Sales Department	20	63%	12	37%	32	100%	37	73%	14	27%	51	100%
Internal Audit Department	1	50%	1	50%	2	100%	1	50%	1	50%	2	100%
Legal Affairs Department	2	100%	0	0%	2	100%	3	100%	0	0%	3	100%
Information Technology Department	0	0%	5	100%	5	100%	2	22%	7	78%	9	100%
Customer Services Department	8	100%	0	0%	8	100%	2	100%	0	0%	2	100%
Total	76	59%	53	41%	129	100%	89	62%	55	38%	144	100%
Western Region Center												
Financial Department	0	0%	0	0%	0	0%	0	0%	1	100%	1	100%
Human Resources Department	0	0%	4	100%	4	100%	1	20%	4	80%	5	100%
Technical Department	3	25%	9	75%	12	100%	6	50%	6	50%	12	100%
Marketing and Sales Department	4	25%	12	75%	16	100%	4	24%	13	76%	17	100%
Information Technology Department	1	100%	0	0%	1	100%	0	0%	0	0%	0	100%
Total	8	24%	25	76%	33	0%	11	31%	24	69%	35	100%
Central Region Center												
Financial Department	0	0%	1	0%	1	100%	0	0%	0	0%	0	0%
Human Resources Department	3	75%	1	25%	4	100%	0	0%	1	100%	1	100%
Technical Department	2	29%	5	71%	7	100%	4	40%	6	60%	10	100%
Marketing and Sales Department	2	33%	4	67%	6	100%	1	17%	5	83%	6	100%
Total	7	39%	11	61%	18	100%	5	29%	12	71%	17	100%
Total	91	51%	89	49%	180	100%	105	54%	91	46%	196	100%

Source: Company

The rise in the number of Company staff in 2013G is due to the increase in the number of Marketing and Sales staff since the Company has opened six new points of sale.

15 – Table (4-8): Company's employees by geographical region and the main categories of activity as at 30/09/2014G

Branch	As of 30/09/2014G					
	Saudis		Non-Saudis		Total	
	Number	Percentage	Number	Number	Percentage	Number
Head Office and the Eastern Region Center						
Executive Department	1	25%	3	75%	4	100%
Financial Department	4	50%	4	50%	8	100%
Human Resources Management	7	47%	8	53%	15	100%
Technical Department	32	59%	22	41%	54	100%
Reinsurance Department	1	33%	2	67%	3	100%
Marketing and Sales Department	28	62%	17	38%	45	100%
Internal Audit Department	0	0%	2	100%	2	100%
Legal Affairs Department	2	100%	0	0%	2	100%
Information Technology Department	2	29%	5	71%	7	100%
Customer Services Department	7	100%	0	0%	7	100%
Total	84	57%	63	43%	147	100%
Western Region Center						
Human Resources Department	0	0%	3	100%	3	100%
Technical Department	7	50%	7	50%	14	100%
Legal Affairs Department	3	21%	11	79%	14	100%
Total	10	32%	21	68%	31	100%
Central Region Center						
Financial Department	1	0%	0	0%	1	100%
Technical Department	7	58%	5	42%	12	100%
Marketing and Sales Department	2	40%	3	60%	5	100%
Total	10	56%	8	44%	18	100%
Total	104	53%	92	47%	196	100%

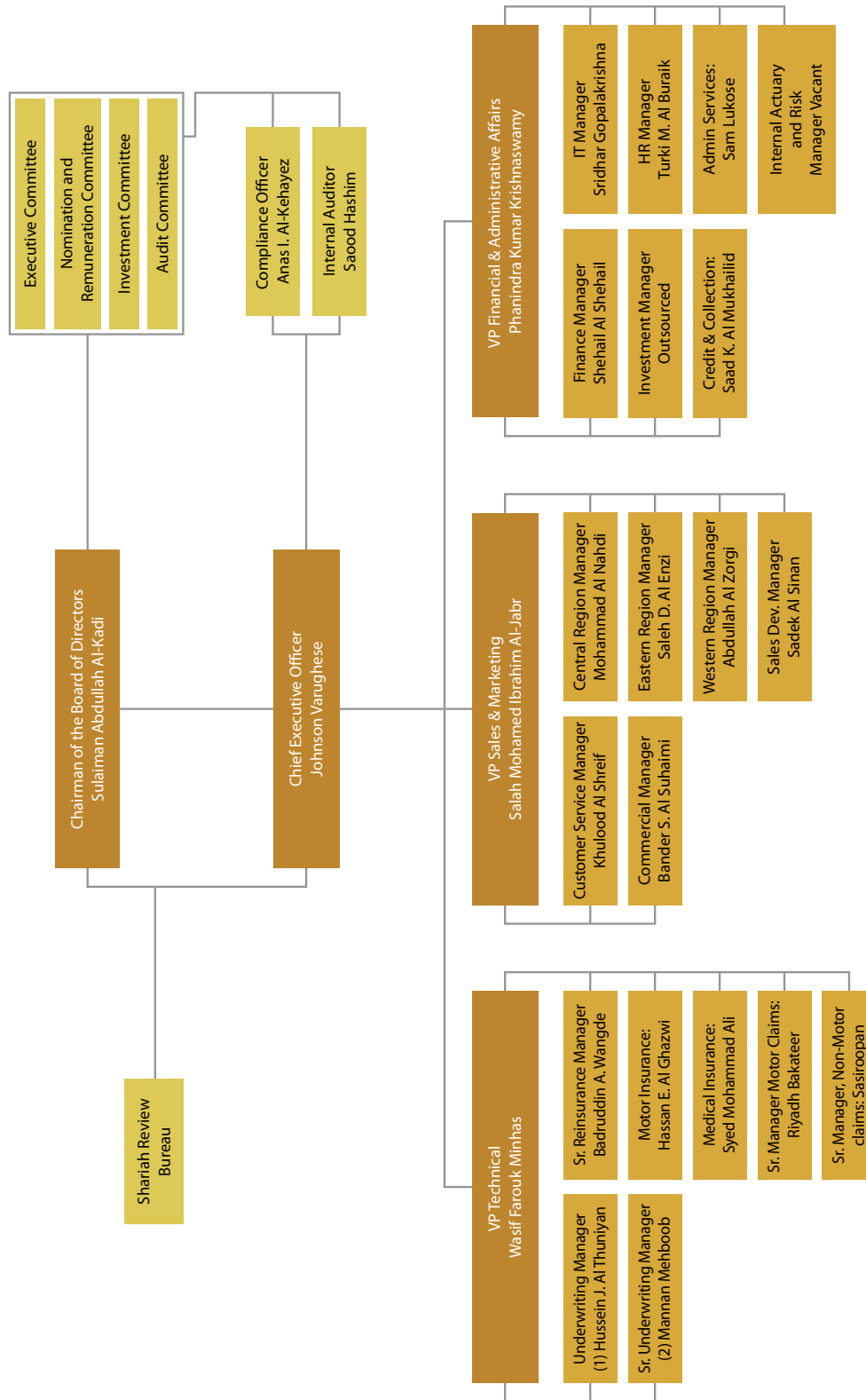
Source: Company

The Company's management acknowledges that there is no intention to make any fundamental change to the nature of its activity, which would maintain the stability and reputation of the Company and its continued achievement of profits. It also acknowledges that there has been no interruption in its business since incorporation

5. Organizational Structure

The Company has an organizational structure that defines the different jobs and positions in it, and that helps the Company achieve quality performance

5.1 Company Organizational Structure



The Internal Actuary and Risks Manager post is vacant since May 2014G and the Company is in the process of filling this position.

5.2 Board of Directors

The Company is managed by a Board of Directors of ten (10) members; all of them are non-executives, and seven (7) are independent members. The members have the experience and qualifications enabling them to efficiently manage the Company. They are appointed by the Ordinary General Meeting. The key responsibility of the Board of Directors is to ensure the Company's long term success, including, but not limited to, the following:

- Monitor and manage potential cases of conflict of interests for Senior Management members, Directors and shareholders.
- Ensure adequacy and efficiency of internal accounting policies and preparation of the Company's financial reports.
- Support the independent audit and review functions; ensure existence and application of appropriate compliance systems, in particular, risks monitoring systems, financial procedures and compliance with the relevant rules and regulations.
- Review and direct the Company strategy, risk management policies, financial planning, annual budgets as well as Business plans recommended by the Company's Management.
- Define and establish the goals of the Company general performance
- Supervise main capital expenditures
- Review Remunerations Committee resolutions related to the Senior Management and Board members.
- Monitor the effectiveness of the Company governance policies.
- Supervise the Company disclosure and general communications.

The current Board of Directors was appointed by the Extraordinary General Assembly of the Company held on 25/06/1434H corresponding to 05/05/2013G, in accordance with Article 13 of the Company's By-Laws. The current term of the Board shall be for three (3) years starting 16/071434H corresponding to 26/05/2013G.

16 – Table (5-1): Board Members (Directors)

Name	Post	Repre- senting	Nation- ality	Age	Capacity	Shareholding						Date of Ap- pointment
						Direct	%	Indirect	%	Total	%	
Sulaiman Abdullah Hamad Al- Qadi	Chairman	-	Saudi	77	Indepen- dent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Abdullah Mohammed Abdullah Al-Othman	Member	-	Saudi	42	Indepen- dent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Walid Mohammed Abdullah Al-Jaafari	Member	-	Saudi	53	Indepen- dent	240,000	1.2%	None	None	240,000	1.2%	6/5/2007G
Jameel Abdullah Abdul Aziz Al Molhem	Member	-	Saudi	43	Indepen- dent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Hassan Isam Mohammad Al-Kabbani	Member	-	Saudi	47	Indepen- dent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Dr. Solaiman Abdul Aziz Saleh Al- Twaijri	Member	-	Saudi	49	Indepen- dent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Abdul Aziz Saleh Abdullah Al-Rebdi	Member	-	Saudi	52	Indepen- dent	1,000	0.005%	None	None	1,000	0.005%	24/1/2009G

Name	Post	Representing	Nationality	Age	Capacity	Shareholding						Date of Appointment
						Direct	%	Indirect	%	Total	%	
Khalid Abdul Rahman Saleh Al-Rajhi	Member	Abdul Rahman Saleh Al-Rajhi and Partners Co.	Saudi	42	Non-Executive	1,000	0.005%	200	0.001%	1,200	0.006%	27/06/2010G
Walid Suhail Abdul Mihsen Al-Shoaibi	Member	Suhail Abdul Mihsen Al-Shoaibi and Sons Holding Co.	Saudi	52	Non-Executive	None	None	10,000	0.05%	10,000	0.05%	8/3/2011G
Wasif Saleem Abdul Rahman Al-Jabsheh	Member	IGI Underwriting Co.	Jordanian	70	Non-Executive	None	None	875,071	4.375%	875,071	4.375%	5/5/2013G

- Directors are classified as independent and non-independent. Non-independent members are reclassified into Executive and Non-Executive.
- 1000 of the shares of each represented company have been allocated to secure the membership of their representatives.
- Director Khalid Abdul Rahman Saleh Al-Rajhi holds 20% of Abdul Rahman Bin Saleh Al Rajhi & Partners Co. which in turn holds 0.005% of Wala'a shares. Therefore, the indirect ownership of Khalid Abdul Rahman Saleh Al Rajhi is 0.001% of the total shares of the Company. Director Khalid Abdul Rahman Saleh Al Rajhi holds the position of Chief Executive Officer of Abdul Rahman Bin Saleh Al Rajhi and Partners Company.
- Director Walid Suhail Abdul Mihsen Al Shoaibi holds 20% of the shares of Suhail Abdulmohsen Al Shoaibi and Sons Holding Co. which in turn holds 0.25% of Wala'a shares. Therefore, the indirect ownership of Director Walid Suhail Abdul Mihsen Al Shoaibi amounts to 0.05% of the total shares of the Company. Director Walid Suhail Abdul Mihsen Al Shoaibi holds the position of Managing Director of Suhail Abdulmohsen Al Shoaibi and Sons Holding.
- Director Wasif Saleem Abdul Rahman Al-Jabsheh holds 0.000055% of the shares of IGI Underwriting Co., which in turn holds 10.5% of Wala'a shares. Director Wasif Saleem Abdul Rahman Al-Jabsheh also holds 41.67% of IGI Holding Company, which in turn holds 99.99% of IGI Underwriting Co.. Therefore the indirect ownership of Director Wasif Saleem Abdul Rahman Al-Jabsheh amounts to about 4.375% of the total shares of the Company. Director Wasif Saleem Abdul Rahman Al-Jabsheh acts as the Chief Executive Officer of IGI Underwriting Co.

5.2.1 Following is a brief overview of the qualifications and experiences of Board members

Sulaiman Abdullah Hamad Al-Qadi	
Nationality	Saudi
Age	77
Current Post	Board Chairman
Appointment Date	06/05/2007G
Qualifications	Holds a bachelor degree in Petrol Management and Engineering from the University of Texas, Austin, Texas, USA, 1964G
Professional Experience	<ul style="list-style-type: none"> An employee of Saudi Aramco Company filling several administrative and engineering positions the last of which was General Manager of Pipelines from 1964G-1983G. General Manager of the Saudi Consolidated Electric Company, Eastern region, a public company engaged in the generation, transmission and distribution of electricity, from 1983 to 1984G. Managing Director and General Manager of the Saudi Consolidated Electric Company, Eastern region a public company engaged in the generation, transmission and distribution of electricity, from 1984 to 1997G. Member of the Board of Directors of the General Electricity Corporation, governmental institution from 1991 to 1995G General Manager of the Saudi Consolidated Electric Company, Eastern region, a public company engaged in the generation, transmission and distribution of electricity and Board member of the Saudi Consolidated Electric Company in the Central region, a public company engaged in the generation, transmission and distribution of electricity, from 1997 to 2000G CEO of Saudi Electricity Company, from 2000G to 2005G
Current Positions	<ul style="list-style-type: none"> Board Vice Chairman of the Saudi Electricity Company, public company engaged in the generation, transmission and distribution of electricity, from 2006G to date Board member of the Basic Chemical Industries Company, public company engaged in chemicals manufacturing, from 2010G to date Board member of the Chemical Development Company, closed joint stock company engaged in the chemical and petrochemical industry, from 2011G to date Board member of the Saudi Hollandi Bank, public company engaged in banking sector, from 2011G to date
Abdullah Mohammed Abdullah Al-Othman	
Nationality	Saudi
Age	42
Current Post	Board member
Appointment Date	06/05/2007G
Qualifications	Holds a bachelor degree in Industrial Management from King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, 1995G
Professional Experience	<ul style="list-style-type: none"> Commercial Manager for the Al-Othman Agricultural Production and Processing Company (Nada), limited liability company engaged in food industry, from 1995 to 1998G General Manager of Al-Othman Agricultural Production and Processing Company (Nada), limited liability company engaged in food industry, from 1998 to 2001G Chief Executive Officer of Al-Othman Holding Group, a closed joint stock company operating in food and chemical industries and investment sector, from 2001G to 2004G.
Current Positions	<ul style="list-style-type: none"> Board Vice Chairman of Al-Othman Holding Group, closed joint stock company operating in food and chemical industries and investment sector, from 2002G to date Board Chairman of Takween Advanced Industries, public company engaged in industrial investment, from 2010G to date Board member of the Arabian Roots company, closed joint stock company engaged in the industry and construction sectors, from 2010G to date Board member of Gulf International Bank, public company, engaged in the banking sector, Riyadh, Saudi Arabia, from 2010G to date

Waleed Mohammed Abdullah Al-Jaafari	
Nationality	Saudi
Age	53
Current Post	Board member
Appointment Date	27/06/2010G
Qualifications	Holds a bachelor degree in economics from King Saud University, 1982G
Professional Experience	<ul style="list-style-type: none"> • Faculty member, Institute of Public Administration, Riyadh, Saudi Arabia, from 1982 to 1985 • General Manager and Board member of the Gulf Stevedoring Contracting Co., Limited Liability Company engaged in transportation and construction, from 1985 to 1998G.
Current Positions	<ul style="list-style-type: none"> • Board member of Gulf Real Estate Development Co., closed joint stock company engaged in real estate development, from 2006G to date • Board member of World Tourism Company, closed joint stock company engaged in tourism sector, from 2008G to date • Partner and Board Chairman of Dawaa' Medical Services Company, limited liability company, engaged in management and operation of pharmacies, from 2009G to date • Board member of the Advanced Petrochemical Company, a public company operating in the petrochemical sector, from 2010G to date.

Jameel Abdullah Abdulaziz Al-Molhem	
Nationality	Saudi
Age	43
Current Post	Board member
Appointment Date	05/05/2013G
Qualifications	Holds a bachelor degree in marketing from the King Fahd University of Petroleum and Minerals, Saudi Arabia, 1994G
Professional Experience	<ul style="list-style-type: none"> • Progressed in various positions, most recently senior investment manager, Saudi British Bank (joint stock company) from 1996 to 2000G • Service development manager, Saudi Telecom Company, public company operating in telecommunications sector, from 2000G to 2001G • Marketing Manager, Saudi Telecom Company, public company operating in telecommunications sector, from 2001G to 2007G • Vice Chief Executive Officer of Saudi Telecom Company, public company operating in telecommunications sector, from 2007G to 2011G • Chief Executive Officer of Saudi Telecom Company (Saudi Arabia), public operating in telecommunications sector, from 2011G to 2013G
Current Positions	<ul style="list-style-type: none"> • Chief Executive Officer and Managing Director of Al Hassan Ghazi Ibrahim Shaker, public company engaged in industrial investment sector, from 2013G to date.

Hassan Isam Mohammed Kabbani	
Nationality	Saudi
Age	47
Current Post	Board member
Appointment Date	08/03/2011G
Qualifications	<ul style="list-style-type: none"> • High School Certificate , Le Rosey School, Switzerland, 1985 • General Certificate of Secondary Education from Cambridge College, London, United Kingdom ,1985G • Courses in business administration from the Pepperdine University, Los Angeles, California, USA, from 1986 to 1988G

Hassan Isam Mohammed Kabbani	
Professional Experience	<ul style="list-style-type: none"> Head of business development department in Isam Khairy Kabbani & Partners Group, limited liability company engaged in insurance, construction and maintenance sectors, from 1992 to 1998G Acting Board Vice Chairman of Isam Khairy Kabbani & Partners Group, a Limited Liability Company engaged in the insurance, construction and maintenance sectors, from 1999 to 2010G.
Current Positions	<ul style="list-style-type: none"> Board member IBuild Egypt, Cairo, a closed joint stock company engaged in construction sector, from 2000G to date Board member of Bemo Bank, Beirut, Lebanon, closed joint stock company engaged in banking sector, from 2008G to date Board member of Isam Kabbani Insurance Brokers and Reinsurance limited liability company, licensed by the Saudi Arabian Monetary Agency, engaged in insurance industry, from 2010G to date Board member of Isam Khairy Kabbani & Partners Construction and Maintenance, limited liability company engaged in construction sector, from 2010G to date Managing Director of Isam Mohamed Khairy Kabbani Holding, closed joint stock company operating in multi- investment sector, from 2012G to date

Dr. Sulaiman Abdulaziz Saleh Al-Twajiri	
Nationality	Saudi
Age	49
Current Post	Board member
Appointment Date	24/01/2009G
Qualifications	<ul style="list-style-type: none"> Holds bachelor degree in Accounting from King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, 1990G Master's degree in accounting from the University of Illinois Urbana-Champaign, Illinois, United States, 1993G PhD degree in accounting from the University of Case Western Reserve - Cleveland, Ohio, United States, 1998G.
Professional Experience	<ul style="list-style-type: none"> Assistant Lecturer, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, from 1998 to 2000G Head of accounting department, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, from 2000G to 2001G Secretary general and member of the Audit Committee of Higher Education Fund, Riyadh, Saudi Arabia, from 2001G to 2003G General Manager, shared services, Zajoul for Advanced Communications Technology, a limited liability company operating in the telecommunications sector, from 2003G to 2005G General Manager, Al-Othman Agricultural Production & Processing Company, limited liability company, operating in food industry, from 2005G to 2008G Board member, National Electricity Transmission Company, limited liability company engaged in electricity transmission and distribution sector, from 2010G to 2011G Member of the Audit Committee, Gulf International Bank - closed joint stock company operating in the banking sector company, Manama, Bahrain from 2012G to 2013G
Current Positions	<ul style="list-style-type: none"> CEO and Managing Director, Saudi Arabian Amiantit Company, public company engaged in pipe and tank manufacturing, from 2008G to date Member of the audit committee, Alkhazama Management, closed joint stock company engaged in real estate, recreation and tourism management sectors, from 2007G to date Board Chairman, International Water Distribution, limited liability company engaged in water distribution and transport, Jeddah, Saudi Arabia from 2008G to date Board member and Chairman of the Audit Committee, Takween Industries, public company engaged in industrial investment, from 2011G and to date Board member and Chairman of the Audit Committee of Chemical Development Company, closed joint stock company engaged in the chemical and petrochemical industry, from 2012G to date Board member and chairman of the audit and risk committee. Mulkia Investment Company, closed joint stock company engaged in financial consulting, from 2014G to date

Abdulaziz Saleh Abdullah Al-Rebdi	
Nationality	Saudi
Age	52
Current Post	Board member
Appointment Date	06/05/2007G
Qualifications	<ul style="list-style-type: none"> Bachelor of Science in Industrial Management from King Fahd University of Petroleum and Minerals University, Saudi Arabia, 1985G. Advanced courses in financial and credit analysis and project evaluation - Chase Manhattan Bank, New York, United States of America, 1987G.
Professional Experience	<ul style="list-style-type: none"> Managing Director of the National Agricultural Development Company (Nadec), public company engaged in crop production and food processing sector, from 2000G to 2003G General Manager, L'Azurde Group for Industrial Investment, closed joint stock company engaged in jewellery manufacturing and trading sector, from 1996 to 1999G Head of lending unit, project management, Saudi Industrial Development Fund, from 1993 to 1995G Economic adviser, Saudi Arabia consulate, United Arab Emirates, Dubai during 1992G Project Manager, Saudi Industrial Development Fund, from 1989 to 1991G Projects analyst, Saudi Industrial Development Fund, from 1987 to 1989G
Current Positions	<ul style="list-style-type: none"> Owner and CEO of Abdul Aziz Saleh AlRebdi Consulting Office, sole proprietorship operating and financial consulting sector, from 2003G to date Board member of Al Othaim Holding Co, public company engaged in retail sector, from 2009G to date Board member, Takween Advanced Industries, public company operating in industrial investment sector, from 2012G to date Board member, Abdulmohsen Al Hokair Group for Tourism and Development Company, public company operating in hotel and leisure sector, from 2013G to date Board member, Al Hammadi Development and Investment, public company engaged in Hospital management and operation, from 2013G and to date Board member, Obeikan Glass Company, a closed joint stock company operating in glass industry from 2008G to date.
Khalid Abdul Rahman Saleh Al-Rajhi	
Nationality	Saudi
Age	42
Current Post	Board member
Appointment Date	06/05/2007G
Qualifications	Bachelor Degree in finance from King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia in 1994G
Professional Experience	<ul style="list-style-type: none"> Trainee and then employee for HSBC Company, closed joint stock company engaged in consulting and financial services, from 1993 to 1994G CEO of Al Rajhi Trading, limited liability company engaged in the industry and trade sectors, from 1994 to 2005G Member of the founding committee of Dana Gas company, joint stock company listed in the United Arab Emirates and engaged in Gas distribution, from March 2005G to September 2005G Member of the founding committee of Albilad Bank, public company engaged in banking sector, from 2000G to 2005G
Current Positions	<ul style="list-style-type: none"> Board Chairman, Al-Salam Private Schools, Khobar, limited liability company engaged in education sector, from 1998G to date Board Chairman of Fakhri Hospital - Khobar, closed joint stock company engaged in health sector, from 2005G to date Group CEO of Abdul Rahman Bin Saleh Al-Rajhi Company, limited liability company operating in industry and commerce sector, from 2005G to date Board member of Albilad Bank, public company engaged in banking sector, from 2005G to date

Current Positions	<ul style="list-style-type: none"> • Board member of Arab Tanami, limited liability company engaged in the industry, commerce and construction sectors, United Arab Emirates, from 2006G to date • Chairman of Pro-care hospital, closed joint stock company operating in health sector, Al-Khobar, from 2008G to date • Board member of Takween Industries, public company engaged in industrial investment, from 2010G to date • Chairman of Saudi Cement Company, public company operating in cement sector, from 2013G to date
Waleed Suhail Abdul Mihsen Al-Shaibi	
Nationality	Saudi
Age	52
Current Post	Board member
Appointment Date	06/05/2007G
Qualifications	<ul style="list-style-type: none"> • Bachelor of Engineering from the Rice University, Houston, Texas, USA, 1984G • Master of Engineering from the Rice University, Houston, Texas, USA, 1987G
Professional Experience	<ul style="list-style-type: none"> • Board member of Heating and Cooling Project Company, limited liability company engaged in industry sector, from 1986 to 1989G • Teller assistant and then Credit analyst for National Bank of Houston, Texas, United States of America, from 1985 to 1987G • Board member of Kalam Telecom, closed joint stock company operating in telecommunications sector in Manama, Bahrain, from 2005G to 2008G • Board member of Arabian McDermott, limited liability company engaged in engineering consultancy, from 1989 to 2011G
Current Positions	<ul style="list-style-type: none"> • Board member of Chemical Development Company, closed joint stock company engaged in chemical and petrochemical industry, from 2007G to date • Board member of Saudi Chain-link Fence, limited liability company engaged in the manufacturing sector, from 2008G to date
Wasif Saleem AbdulRahman Al-Jabshe	
Nationality	Jordanian
Age	70
Current Post	Board member
Appointment Date	06/05/2007G
Qualifications	Bachelor degree in Economics from the American University in Cairo, the Arab Republic of Egypt, 1967G
Professional Experience	<ul style="list-style-type: none"> • Progressed in various positions in Kuwait Insurance Company, public company listed in Kuwait Stock Exchange and engaged in insurance sector, most recently in charge of the company's branches in the United Arab Emirates from 1967 to 1973G • Deputy General Manager then General Manager, Abu Dhabi National Insurance Company, joint stock company listed in UAE Stock Exchange, from 1973 to 1989G • Founder and owner of Middle East Insurance Brokers and Global Marine Insurance Company (two limited liability companies operating in insurance sector) Amman, Jordan, from 1989 to 1994G. • Board member and consultant for HCC Insurance, public company engaged in insurance sector, Houston, Texas United States from 1994 to 1998G
Current Positions	<ul style="list-style-type: none"> • Founder, CEO and Board Member of IGI Group, limited liability company engaged in insurance and reinsurance sector, from 2001G to date

5.2.2 Board secretary

Anas Ibrahim Hussain Al-Kehayez	
Nationality	Saudi
Age	32
Current Post	Compliance Officer and Board Secretary
Appointment Date	26/06/2014G
Qualifications	<ul style="list-style-type: none"> Bachelor of Business Administration from King Abdul Aziz University, Jeddah, Saudi Arabia, 2010G Diploma in Programming and Computer Maintenance from King Saud University, Riyadh, Saudi Arabia, 2005G
Professional Experience	<ul style="list-style-type: none"> Editorial Secretary of Al-Eqtisadeya newspaper, Saudi Research and Publishing Company, public company engaged in publishing and distribution sector, from 2005G to 2009G CEO's Office manager of the of Al-Rajhi Takaful, public company engaged in insurance sector, from 2009G to 2011G Compliance Officer, Al Rajhi Takaful, public company engaged in insurance sector from 2011G to 2013G Compliance Officer and Board secretary, Wala'a, from 2013G to date.

5.3 Executive Management of the Company

The Company has a highly qualified executive management team with solid experience and skills required to efficiently and effectively manage a company in a resilient competitive environment under the direct guidance of the Company's Board and according to the rules and regulations of the Saudi Arabian Monetary Agency, Capital Market Authority and Saudi stock exchange (Tadawul). The executive management team members are greatly keen to carrying out their executive duties to achieve the Company's objectives and protect its interests.

17 - Table (5-2): Senior Management members

Name	Position	Date of Appointment
Johnson Chandebala G Varughese	CEO	27/12/2012G
Phanindra Kumar Krishnaswamy	VP Financial & Administrative Affairs	24/06/2014G
Salah Mohamed Ibrahim Al-Jabr	VP Sales and Marketing	16/01/2012G
Wasif Farouk Mohammed Minhas	VP Technical	22/10/2011G
Saood Hashim Mohamed Othman	Internal Auditor	27/06/2012G
Anas Ibrahim Hussein Al-Kehayez	Compliance Officer	26/06/2014G

Source: Company

Johnson Chandebla G Varughese	
Nationality	Indian
Age	52
Current Post	CEO
Appointment Date	27/12/2012G
Qualifications	Bachelor of Commerce from the University of Kerala, Trivandrum, India, 1985G
Professional Experience	<ul style="list-style-type: none"> Financial officer, Ahmad Bahman Group, sole proprietorship engaged in industry and construction, Dubai, United Arab Emirates, from 1997 to 2003G Regional Financial Controller, Future Pipe Group, Doha, closed joint stock company engaged in manufacturing sector, Doha, Qatar, from 2003G to 2007G Director of Finance then Chief Executive Officer, Wala'a Company, (joint stock company) from 2007G to date Member of the Audit Committee, Najm for Insurance Services, closed joint stock company engaged in loss estimation and insurance claims settlement, from 2013G to date Board member of Saudi Next Care Co., mixed limited liability company engaged in settlement of insurance claims, from 2013G to date

Phanindra Kumar Krishnaswamy	
Nationality	Indian
Age	51
Current Post	VP Financial & Administrative Affairs
Appointment Date	24/06/2014G
Qualifications	<ul style="list-style-type: none"> Bachelor of Commerce from the University of Bangalore, Bangalore, India, 1984G Chartered Accountant - Delaware, USA, 2002G Associate member of the Institute of Internal Auditors, USA, 2002G
Professional Experience	<ul style="list-style-type: none"> Finance and administration manager of the Bahrain Kuwait Insurance Company, a company listed on Kuwait stock exchange, from 1986 to 2007G Financial Controller of Alsaif Real estate, public company engaged in real estate sector and listed on Bahrain stock exchange, from 2007G to 2011G Chief financial officer of Wala'a, public company engaged in insurance sector since 2011G, then acting Vice President Financial & Administrative Affairs, from 2014G to date

Salah Mohammed Ibrahim Al-Jabr	
Nationality	Saudi
Age	50
Current Post	VP Sales and Marketing
Appointment Date	16/01/2012G
Qualifications	Bachelor of Business Administration from Washington State University – Seattle, United States of America, 1986G
Professional Experience	<ul style="list-style-type: none"> Served as employee in the Special Projects Unit of the Saudi Electricity Company, from 1987 to 1990G Progressed as Branch Manager, Sales and Marketing Manager and then CEO of Al-Tamimi and Al-Mazroa for Trading, from 1990 to 2003G Business Development Manager, Tamimi Tapes Manufacturing Company, from 2003G to 2005G Marketing and Administrative Affairs Manager at Tamimi Red Cap from 2005G to 2007G Eastern Region Branch Manager and then Vice President Sales and Marketing of Wala'a Co, from 2008G to date

Wasif Farouk Minhas Mohammed	
Nationality	Pakistani
Age	42
Current Post	VP Technical
Appointment Date	22/10/2011G
Qualifications	<ul style="list-style-type: none"> Bachelor of Commerce from University of Punjab - Pakistan, 1993G MBA in Marketing from University of Lahore, Pakistan, 1995G Master in Management from the University of Sydney – Australia, 1996G
Professional Experience	<ul style="list-style-type: none"> Trainee then Branch Manager, Jubilee Insurance Company, Pakistan, from 1997G to 2002G Assistant Manager and then Team Manager, Pakistani stock exchange, from 2002G to 2004G Engineering and Liability insurance Manager, Wala'a, from 2008G to 2013G VP Technical, Wala'a company, from 2013G to date

Saood Hashim Mohammed Othman	
Nationality	Pakistani
Age	40
Current Post	Internal Auditor
Appointment Date	27/06/2012G
Qualifications	<ul style="list-style-type: none"> Bachelor of Commerce from University of Karachi– Pakistan, 1996G Associate member of the Institute of Chartered Accountants, Pakistan, 2000G
Professional Experience	<ul style="list-style-type: none"> Trainee and then Assistant manager for AF Ferguson member of Price Waterhouse Coopers, limited liability company engaged in providing financial and accounting services, Pakistan, from 1996 to 2001G Auditor, then Risk services manager, Ernst & Young, limited liability company engaged in provision of financial and accounting services, Riyadh, Saudi Arabia, from 2001G to 2006G Financial advisor, Synergies Est, sole proprietorship engaged in providing financial services, Pakistan, from 2007G to 2010G Internal Auditor of Wala'a company, from 2010G to date

Anas Ibrahim Hussain Al-Guhaiz	
Current Post	Regulatory Control Manager and Board Secretary. Biography previously described as secretary of the Board.

5.4 Corporate Governance

The Company is committed to applying all the mandatory provisions contained in the Corporate Governance Regulations issued by the Saudi Capital Market Authority to ensure the necessary protection of the rights of shareholders and various stakeholders through providing real, clear and fair view of the Company's financial condition and results of operations. With regard to the guiding provisions (non-mandatory), the Company is fully committed to enforce such provisions except for those being considered by the Company to be achieved in the future, namely:

18 - Table (5-3): Non-enforced provisions of the Corporate Governance Regulations

Reasons for not enforcing the Article	Article wording	Article No.
3 4/a	Shareholders General Rights The Company's By-Laws and internal regulations shall specify the procedures and precautions that are necessary for the shareholders exercise of all their statutory rights.	The Company's By-Laws did not include (a) the right to a share of the Company's assets upon liquidation (b) the right to supervise the Board of Directors activities, and file responsibility claims against board members, and (c) the right to inquire and have access to information without prejudice to the Company's interests and in a manner that does not contradict the Capital Market Law and the Implementing Rules.

Reasons for not enforcing the Article	Article wording	Article No.
6/b	The accumulative voting method should be applied in voting in the General Assembly for the selection of Board Members	The Company's By-Laws did not specify the method of electing the board members. Instead, the board approved the normal voting method and has not yet approved the accumulative voting method.
10/e/5	Outlining a written policy that regulate the relationship with stakeholders with a view to protecting their respective rights; in particular, such policy must cover the following: 5) The Company's social contributions.	Since the nature of insurance business in itself is considered a social contribution as it protects individual and community wealth against potential risks, the Company has also been socially contributing to effectively enforcing the Saudization rate required by the regulatory authorities, including the provision of employment opportunities for women. The Company's policy emphases on supporting and encouraging its staff through various training programs that include qualifying exams, English language and other academic programs. In addition, the Company provides employment opportunities for people with special needs, and cooperates and provides training opportunities for university and institute students to accomplish their training requirements with the Company.

Source: Company

The Board of Directors is aware that efficient management and control is crucial for success of the Company. The Company is highly committed to using and applying the highest standards of corporate governance through enforcement of clear executive framework for transparency and disclosure in order to ensure that the Board of Directors is performing to achieve the interests of the Shareholders to the fullest, and to provide a real, clear and fair view of the Company's financial position and results of operations.

In its meeting held at Al-khobar on 25/06/1434H corresponding to May 05, 2013G, the Ordinary General Assembly approved the Company's governance regulations. Then, Company has approved a policy for regulating conflict of interest, the standards and procedures policy for appointment of the Board members and a detailed policy for disclosure.

The Company has a clear separation of responsibilities between the supervisory role of the Board of Directors and the Company's executive management; and in line with the best international corporate governance standards, all the Board members are independent nonexecutive members with the exception of one member.

The Company has effective internal controls and systems as well as a competent and highly professional internal audit team that conducts independent reviews of all departments and functions of the Company. The Company's external auditors will provide annual report and letter on the activities of the Company. Following is an overview of the Company's implemented corporate governance framework:

Shareholders General Assembly: Shareholders will be kept informed of all important developments in the Company through intensive communication and reports on the financial performance of the Company, and publishing of all important news and information relating to the Company and its operations through latest communication means. Shareholders are encouraged to attend the General Assembly Meetings of the Company and are provided with needed requirements for such meetings. The Shareholders General Assembly meeting was held on April 30, 2014G.

Board of Directors: The Board of Directors assumes full responsibility for running the Company and protecting the interests of its shareholders. The third term Board of Directors was formed on 25/06/1434H.

Provision of financial and other information: The Board of Directors is responsible for providing Shareholders with real and fair information about the Company's financial performance. There is also a mechanism to ensure the smooth flow of all relevant information to the Board of Directors in the manner that enables it to carry out its duties effectively.

Committees of the Board: The Board has committees to help it perform its business effectively according to the regulatory regulations. The Board adheres to the formation of these committees as required by the Corporate Governance Regulations and other regulations and instructions.

5.5 Board Committees:

The Board has a number of sub-committees: Executive Committee, Audit Committee, the Nomination and Remuneration Committee and the Investment Committee. These committees assist and provide the necessary support to the Board of Directors in monitoring and reviewing the Company's activities, and provide necessary guidance and direction to the Company's management. These committees hold more regular meetings than the full meeting of Board, and submit their reports report to the Board of Directors.

5.5.1 Executive Committee

The Executive Committee undertakes the day-to-day management of the Company's activities including implementation of Board's decisions in coordination with the CEO. It proposes and sets the Board's objectives and strategy of and supervises the Company's operations and the progress of project works. It is also delegated by the Board of the Board's full powers that could be entrusted to it to perform its functions according to the Company's By-Laws and relevant laws and regulations.

The Executive Committee shall practice the powers delegated to it in line with the Company's overall policies and procedures and any decisions or specific instructions assigned by the Board of Directors. The Executive Committee shall submit periodic reports to the Board of Directors on the tasks entrusted and its practice of the powers and delegated to it. The Executive Committee is composed of the following members:

19 - Table (5-4): Executive committee members

Name	Capacity
Abdullah Mohammed Abdullah Al-Othman	Head of the Committee
Wasif Saleem Abdul Rahman Al-Jabsheh	Member
Walid Suhail Abdul Mihsen Al-Shoaibi	Member
Khalid Abdul Rahman Saleh Al-Rajhi	Member

Source: Company

Please refer to section (5.2.1) "Board members" for detailed biography of the members of the Executive Committee.

5.5.2 Audit Committee

The primary function of the Audit Committee is to assist the Board in carrying out its functions efficiently and effectively, and in particular, the Committee is responsible for the integrity and completeness of the financial statements and the policies and procedures of internal controls as well as the relationship with Chartered Accountants considered. The Audit Committee is appointed by the Board of Directors and composed of three members and one of them at least is a specialist has a background and experience in financial and accounting matters. The board of directors shall every year study the recommendations of the Audit Committee and assess its function system and powers.

The duties and responsibilities of the Audit Committee are as follows:

- Review the internal control system and produce a written report providing its views and recommendations regarding the system
- Review the internal audit reports and monitor the implementation of the corrective actions for the comments raised in the reports.
- To recommend to the Board of Directors appointment of External Auditors and determine their fees and laid off, taking into account their independence when recommending the appointment.
- Oversee the internal audit activity management in the Company in order to check its effectiveness in the implementation of functions and tasks set by the Board of Directors.
- Monitor the functions of the External Auditors, and approve any work outside the scope of audit performed during their assigned audit function.
- Review the audit plan with the External Auditors and provide the Committee's notes on it.
- Study the External Auditors' notes on the financial statements and follow up on required actions.
- Study and the initial annual financial statements prior to submission to the Board of Directors and to provide opinion and recommendation thereon.

- Study the accounting policies used and provide comments and recommendation thereon to the Board of Directors.

The Audit Committee consists of:

20 -Table (5-5): Members of the Audit Committee

Name	Capacity
Dr. Sulaiman AbdulAziz Saleh Al-Twajiri	Head of the Committee
Dr. Raed Abdullah Ibrahim Al-Huqail	Committee member
Waleed Mohammed Ahmed Al-Othaimeen	Committee Member

Source: Company

Please refer to section (5.2.1) “Board members” for detailed biography of Dr. Sulaiman Abdulaziz Saleh Al-Twajiri.

Dr. Raed Abdullah Ibrahim Al-Huqail	
Nationality	Saudi
Age	50
Current Post	Member of Audit Committee
Qualifications	Bachelor of Industrial Management from King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, 1987G Master's degree in Business Administration from University of Denver, Colorado, United States, 1990G PhD degree in Business Administration from George Washington University, Washington, DC, USA, 1999G
Professional Experience	Assistant Lecturer then Instructor at the Faculty of Administrative Sciences, King Saud University, Riyadh, Saudi Arabia, from 1987 to 1991G Advisor for Air-conditioning and Cooling Technology company, Riyadh, Saudi Arabia company, from 1999 to 2002G Senior Advisor for Turbine Services company, Riyadh, Saudi Arabia, from 2003G to 2007G
Current Positions	Executive Vice President, Board member, Head of Investment Committee and member of the Executive Committee of the National Company for the Production of Triple-energy, closed joint stock company engaged in the production of energy, from 2007G to date
Waleed Mohammed Ahmed Al-Othaimeen	
Nationality	Saudi
Age	49
Current Post	Member of Audit Committee
Qualifications	Bachelor of Industrial Management from King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, 1988G
Professional Experience	Accountant, Cost Control Officer and then Budget and Cost Manager, Eastern Petrochemical Company (subsidiary of SABIC), from 1989 to 1993G. Finance Manager and then Chief Financial & Administrative Affairs Officer, Saudi Gas Cylinder Factory, closed joint stock company engaged in production of gas cylinders, from 1993 to 2001G
Current Positions	Deputy Director General of the Saudi Gas Cylinder Factory, closed joint stock company engaged in the production of gas cylinders, from 2001G to date.

5.5.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is considered of the committees that lays the foundation for the future of the Company. Its main concern is to build and retain the human element, and to set strategic plans to promote the performance of the Company and enable it possess the keys for success. It also emphasizes on the administrative development and succession programs to help attracting talent leadership. The Committee implements its functions in accordance with the guidelines approved by the Board of Directors. The Head of the Nomination and Remuneration Committee and its members are appointed by the Board of Directors. The Board shall review the recommendations of the Nomination and Remuneration Committee and assess its function systems annually. Following are of the responsibilities to be undertaken by the Nomination and Remuneration Committee:

- Make recommendation to the Board of Directors for membership of the Board in accordance with the approved policies and guidelines, taking into account not to nominate any person who was previously convicted of a crime involving immorality or dishonesty.
- Review on annual basis the requirements of the appropriate skills needed for the membership of the Board of Directors and prepare a description of the expertise and qualifications required for Board membership including defining the time needed to be devoted by the Board member.
- Review the structure of the Board of Directors and make recommendations regarding changes that can be made,
- To identify weaknesses and strengths in the Board of Directors and propose remediation of the same in accordance with the Company's interest.
- Ensure on annual basis of the independence of the independent members and the absence of any conflict of interest in case a member serves as a Board member of another Company.
- Develop clear policies on compensation and rewards the Board of Directors and senior executives taking into account using performance related standards.

The Nomination and Remuneration Committee consists of:

21- Table (5-6): Members of the Nomination and Remuneration Committee

Name	Capacity
Sulaiman Abdullah Hamad Al-Qadi	Head of the Committee
AbdulAziz Saleh Abdullah Al-Rebdi	Committee member
Waleed Mohammed Abdullah Al-Jaafari	Committee Member
Jameel Abdullah Abdul Aziz Al Molhem	Committee Member

Source: Company

Please refer to section (5.2.1) "Board members" for detailed biography of the members of the Nomination and Remuneration Committee.

5.5.4 Investment Committee

The Investment Committee shall draft the Company funds investment policies, monitor the investment strategy and assess its performance and take the necessary action in this regard. The investment committee shall review the suitable investment alternatives. It is formed from among the members of the Board of Directors on the recommendation of the Nomination and Remuneration Committee, and it consists of at least three members. Chief Executive Officer and Chief Financial Officer and shall be nonvoting honorary members of the committee. The committee shall meet at least twice a year. The term of membership begins as of the selection of the members by the Board of Directors and extends until the expiration of the term of the Board of Directors that appointed the committee. The Investment Committee consists of the following members:

22 - Table (5-7): Members of the Investment Committee

Name	Capacity
Khalid Abdul Rahman Selh Al-Rajhi	Head of the Committee
AbdulAziz Saleh Abdullah Al-Rebdi	Committee member
Walid Mohammed Abdullah Al-Jaafari	Committee Member
Hassan Isam Mohammad Al-Kabbani	Committee Member

Source: Company

Please refer to section (5.2.1) "Board Members" for detailed biography of the members of the Investment Committee.

5.6 Compensation and remuneration of Board members and senior executives:

The remunerations of the Board of Directors are proposed by the Nomination and Remuneration Committee in line with the Company's By-Laws and are brought to the Board of Directors to be approved by the Ordinary General Meeting based on the instructions and decisions passed in this regard and in accordance with the Companies Regulations, insurance regulations and relevant complementary regulations.

Following is the table of the total compensations and allowances of the Board members, and salaries and bonuses and allowances for the five senior executives (including the Chief Executive Officer and Chief Financial Officer) for the years 2011G, 2012G, and 2013G:

23- Table (5-8): Remunerations of the Directors and Senior Executive

SAR (millions)	2011G	2012G	2013G
Board members (Directors)	0.278	0.447	0.524
Senior Executives	2.7	3	3.3

Source: Company

5.7 Conflict of Interest

According to Article (96) of the Companies Regulations and Articles (18) of the Corporate Governance Regulations, any member of the Board of Directors may not have any direct or indirect interest in the dealings and contracts that are made for the Company without the approval of the general meeting, save the works that are awarded through public competition if the Board member is the owner of the best offer. Any member of the Board of Directors must inform the Board of Directors of its personal interests in the dealings and contracts made for the account of the Company. Also, the member with such interest may not vote on the resolution raised in this regard. The Chairman of the Board of Directors shall disclose to the General Assembly when held, the transactions and contracts in which any member has a personal interest provided that such disclosure must be supported by a special report from the chartered accountant.

Based on Article (70) of the Companies Regulations and Article (18 b) of the Corporate Governance Regulations, any member of the Board of Directors who renews each year may not without the approval of the General Assembly participate in any activity that would compete with the Company, or trade in any of the activities practiced by the Company, otherwise, the Company may claim compensation from it or consider the works he initiated for his own account had been carried out for the Company. Based on Article (71) of the Companies Regulations and Article (18 c) of the Corporate Governance Regulations, the Company may not provide cash loan of any kind to the members of the board of Directors or to guarantee any loan held by one of them with others.

The Chairman of the Board of Directors and the members of the Board of Directors may not vote on any decisions relating to their wages and allowances.

Therefore, Company and its Board of Directors and senior management members confirm their strict compliance with Articles (69), (70) and (71) of the Companies Regulations, and Article (18) of the Corporate Governance Regulations.

5.8 Senior Executives Service Contracts

Some members of senior management and senior executives have entered into fixed-term service contracts with the Company that include their employment conditions and allowances. Below is a summary of these contracts, except that there are no signed contracts in place with the members of the Board of Directors as such requirement does not apply in their case.

24 - Table (5-9): summary of senior executive service contracts

Name	Position	Effective date of contract	Contract term	Allowance
Johnson Chandebala G Varughese	CEO	26.12.2012G	2 years	Monthly salary, housing allowance, transportation allowance or transportation from residence to workplace and medical care for the employee and his wife and children
Phanindra Kumar Krishnaswamy	VP Financial & Administrative Affairs	26.06.2014G	2 years	Monthly salary, housing allowance, transportation allowance or transportation from residence to workplace and medical care for the employee and his wife and children
Salah Mohamed Ibrahim Al-Jabr	VP Sales & Marketing	26.02.2014G	1 year	Monthly salary, housing allowance, transportation allowance and medical care for the employee and his wife and children
Wasif Farouk Mohammed Minhas	VP Technical	21.10.2013G	2 years	Monthly salary, housing allowance, transportation allowance or transportation from residence to workplace and medical care for the employee and his wife and children
Saood Hashim Mohamed Othman	Internal Auditor	26.06.2014G	2 years	Monthly salary, housing allowance, transportation allowance or transportation from residence to workplace and medical care for the employee and his wife and children
Anas Ibrahim Hussein Al-Kehayez	Compliance Officer	26.06.2014G	2 years	Monthly salary, housing allowance, transportation allowance or transportation from residence to workplace, and medical care for the employee and his wife and children

Source: Company

These agreements are subject to the Saudi Labor Law and any dispute arising out of them shall be resolved through the competent Saudi judicial authority. These agreements are renewed by agreement of both parties.

5.9 Declarations of Board Members, Board Secretary and Senior Executives on bankruptcy and direct interests

- The Company's Board members, CEO, CFO, Board Secretary and Senior Management declare that:
- Neither any Board member nor any member of the Senior Management nor the Board Secretary has been declared bankrupt.
- Neither any Board member nor any member of the Senior Management nor the Board Secretary have not been employed in a managerial or supervisory capacity at a company that has declared bankrupt in the five years preceding the date of this Prospectus.
- Neither any Board member, Senior Management member nor the Board Secretary nor do any of their relatives, has any direct or indirect interest in the Company's shares except as otherwise mentioned in the section 5.2 "Organizational Structure" of this Prospectus.
- The Company has neither previously issued any debt instruments nor declared the issuance of such instruments.
- Except as stated in section 7 "Capitalization and Indebtedness" of this Prospectus, the Company does not have any contingent liabilities, debts, mortgages or collaterals to date.

5.10 Company's Administrative Departments:

The Company has a number of departments that support the insurance operations. Following is an explanation of the tasks and functions of such departments:

Finance Department:

- Ensures the integrity and accuracy of information and financial records of the Company.
- Develops and reviews the accounting and financial policies procedures.
- Prepares the Company's annual budgets and financial statements (quarterly, half-early and annual) as well as the statistical and administrative reports.
- Provides information on compliance with accounting principles adopted by the Company.

- Manage the Company's cash flows on weekly, monthly, quarterly, semi-annual and annual basis.
- Coordinate with the External Auditor with regard to preparation of financial statements and financial audits.
- Oversee the Company's investments by following a conservative investment strategy in order to maintain a strong financial solvency margins, protect shareholders' interests as stipulated in SAMA's regulations, and develop and review the accounting and financial policies.
- Manage and direct the Company financial planning.
- Prepare and apply an effective cost allocation system.
- Supervise the implementation of the investment strategy prepared by the Investment Committee and draft the investment policy.
- Monitor the performance of asset managers and the performance of the investment portfolios.
- Make necessary communications regarding Zakat/tax and manage the external providers of financial services.

It should be noted that SAMA's regulations allow the outsourcing of the Investment Manager role to any third-party licensed by the Capital Market Authority to practice this activity. Moreover, the investment guidelines set by the Saudi Arabian Monetary Agency are conservative ones and any breach of such regulations is considered a violation, which limits the risks associated to the investment portfolio and management failure related thereof.

Human Resources Department

- Develops the annual recruitment plans in coordination with the concerned departments.
- Attracts qualified staff with experience in the field of insurance.
- Prepares job descriptions for all work categories and review the same periodically.
- Creates channels for internal communications and reporting in accordance with the organizational structure of the Company.
- Conducts staff periodic performance assessments through heads of departments and address the weakness points.
- Ensures strict compliance with applicable work laws and internal procedures of the Company.
- Defines the scale of salaries, allowances and incentives.
- Ensures the necessary administrative support to the relevant departments.

Insurance Operations Department (acquisition and claims)

The Insurance Operations Department manages both general and medical insurance operations. It prepares the insurance acquisition policies and procedures and reviews insurance applications to check the degree of risk associated with the application and determines acceptance or rejection of the application. The Insurance Operations Department also reviews the potential claims and checks the Company's records to verify compliance with approved underwriting policies and procedures, as well as to the settlement of general or medical insurance claims. The following are the most important responsibilities of this Department:

- Develop insurance underwriting policies and procedures.
- Determine the different insurance premiums with the help of the Actuary.
- Estimate and calculate the risks associated with each insurance product.
- Prepare appropriate evaluation systems for the different databases.
- Discuss contracts with customers and draft the same.
- Analyse data to estimate the rate of future claims.
- Assess risk profiles that can be accepted for insurance cover.
- Develop and enforce general principles of the recurring insurance operations.
- Analyse and monitor the insurance portfolio.
- Communicate with regulators and official bodies with regard to insurance operations.
- Provide necessary training for the insurance underwriting specialists.

Wala'a constantly seeks for ways to improve the claims management process and provide value and satisfactory services to its customers. In the medical claims department, a third party undertakes the claims administration process in order to improve customer service quality, develop productivity, effectiveness and performance. Medical claims are usually too many with small values, more than any other type of claims, which makes the use of a third party an effective option to manage such claims given that the third party reviews, audit and approves the medical claims.

As for other types of insurance claims, Wala'a uses local and international consulting offices to assess losses prior to compensation in the cases that require so. Otherwise, Wala'a's Claims Department takes the necessary steps to compensate against losses according to the insurance policy concluded with the harmed customer.

Reinsurance Department

The insurance companies usually contract with reinsurance companies as part of their responsibilities to manage a range of risks for the benefit of policyholders and investors. The primary use of reinsurance is to allow the Company to cover risks greater than its size, and to protect itself against large losses, allowing the Company to provide the limits of coverage and protect policyholders when the loss is more than what may be allowed by the capital of the insurance company itself. Wala'a shares risks with other insurance companies to reduce losses resulting from the compensation paid against the claims incurred. Wala'a has experienced team that analyses the risks and profits and visit companies to assess their financial conditions and credit risk activities. The insurance agreements are not made with only one reinsurance company, but with more than one reinsurance entity for the purpose of distributing the risks insurance. Following are the main responsibilities and duties:

- Analyse the situations of reinsurance companies and classify them.
- Enter into insurance contracts with reinsurers and terminate such contracts.
- Obtain fair prices in return of reinsurance services.

Information Technology Department:

Following is a summary of tasks and responsibilities of the staff of the Information Technology Department:

- Oversee the maintenance and development of IT systems.
- Manage and archive the data and information pertaining to the Company's business.
- Develop security policies and procedures to protect the information and technology systems.
- Develop internal systems to control the use of computer and networks.
- Provide all departments and branches of the Company with the required data.
- Develop computers and software usage controls.
- Monitor the technical activities of the operations, claims and customer complaints in order to achieve and maintain the required operational rates.
- Ensure the provision of high quality services to customers to achieve the Company's goals.
- Provide support to IT management, information management systems, IT infrastructure, networking, telephone communication, Information Technology assets and Internet user support services.

Compliance Department

Compliance Department is an independent department in the Company and reports directly to the CEO, coordinates with the Audit Committee, and handles the following functions:

- Prepares and implements compliance policies and regulations according to the Company's guidelines.
- Ensures enforcement and compliance with the laws, regulations and standards set by regulatory bodies such as the Saudi Arabian Monetary Agency and Capital Market Authority and all the applicable laws of the Kingdom of Saudi Arabia.
- Corrects compliance issues periodically.
- Develops and promotes the compliance culture among employees and enhance relations with regulators.

Marketing and Sales Department:

Marketing and Sales Department has deep understanding of the quality of services, customers, competition, market and the trends that affect the desires of those customers and their decisions. Such understanding is helpful in developing marketing plans to reach certain segments of the market and target prospective customers. The marketing department has a role in business development and profit growth. Marketing and sales team performs the following:

- Prepares marketing and business development plans
- Communicates with all divisions and departments of the Company to find a unified formula for the marketing and sales plans.
- Works with HRD to find suitable work environment for all sections.

- Studies and assesses customer satisfaction with the quality of provided services, enhances the positive areas and avoids negative ones.
- Develops new insurance products to achieve considerable market share in this competitive environment.
- Seeks and contracts with qualified agents and brokers to attract certain customer segments.
- Studies market and appropriate areas to open new branches and points of sale

Internal Audit Department:

The Internal Audit Department follows independent internal audit practices, and its activities covers all the Company's departments and sections. The Internal Audit Department operates independently and reports directly to the Board's Audit & Risk Committee. The department plays a crucial role in many aspects of the Company. Some of the key tasks of the department include the following:

- Defines the standards and procedures for internal audit in compliance with the international standards of internal audit and in accordance with the Company's By-Laws.
- Implements inspections in accordance with the audit annual plan and provides review result reports to the Audit Committee.
- Ensures proper enforcement of the Company's policies and procedures in all departments focusing mainly on the processes that result in financial and administrative implications.
- Ensures the enforcement of internal policies and procedures relating to financial transactions.
- Reviews the accuracy and reliability of the accounting records and financial reporting of the Company.
- Assesses the effectiveness of internal controls in all activities and operations of the Company.
- Communicates with the external auditors to complete the review process and make sure that the recommendations are taken into account by all sections of the Company.
- Ensures resources are obtained at reasonable costs and used efficiently and are properly protected.
- Submits periodic reports to the Audit & Risk Committee on the issues of its concerns.

Customer Service Department

The Company strongly believes in the need to constantly develop the services provided to its customers through designed and strict implementation of its activities that include human resources, IT and operations. The Company is keen to have its staff enjoy good values and ethics that reflect its values. Therefore, it hires highly qualified and competent personnel and trains them on an ongoing basis in order to provide the best customer service. The customer service center ensures implementation of this strategy so that customers feel they are partners with long-term relationship with Wala'a. The functions and responsibilities of this department include:

- Ensure high quality services to customers to achieve the vision and mission of the Company and its strategic objectives.
- Handle customer complaints and analyze their root causes to correct them and avoid recurrence of such complaints.
- Ensure customers are satisfied with the products and services provided.

6. Financial Information, and the Management's Discussion and Analysis

6.1 Introduction

The Management's Discussion and Analysis of the financial condition of the Company and its results of operations, as shown below, is based upon, and should be read in conjunction with, the audited financial statements of the Company for the year ended 31 December 2011G and the notes accompanying thereto, which have been audited by Ernst & Young and of Deloitte & Touche Bakr Abulhair & Co, the financial statements as at 31 December 2012G and the notes accompanying thereto, which were audited by Ernst & Young and PricewaterhouseCoopers, the financial statements for the year ended on 31 December 2013G, audited by Deloitte & Touche Bakr Abulhair & Co and PricewaterhouseCoopers and the interim financial statements for the periods ended on 30 September 2013G and 30 September 2014G, which were issued by Deloitte & Touche Bakr Abulhair & Co and the Office of PricewaterhouseCoopers (Please refer to Section 6-8 "Financial Information, and the Management's Discussion and Analysis - Discussion and analysis of financial statements for the period ended on 30 September 2014G").

Financial information for the year ended on 30 December 2011G listed in the tables below has been extracted from the audited financial statements for the year ended 30 December 2012G. It is presented to reflect the impact of the restatement carried out by the Company on the audited financial statements on 30 December 2012G following the recommendations of the auditors in order to achieve a better presentation of financial information whereby enabling the reader to compare between the financial statements for the years 2011G and 2012G.

The Management Discussion and Analysis of the financial position of the Company and its results of operations does not include analysis for seasonal factors or economic cycles related to the Company's activities. The primary activity of the Company depends on the issuance of insurance policies representing short-term contracts in nature (often for a period of twelve months). In addition, a significant proportion of premiums written is derived from the mandatory products, which are not affected by any seasonal factors or business cycle.

The Company does not also have any contractual securities or other assets of which its value is subject to fluctuations or it might be difficult to verify its value and which significantly affect the assessment of the financial situation of the Company.

6.2 Representations of the members of the Board of Directors regarding the financial information

The board members, severally and jointly, acknowledge that all financial information included in this Prospectus has been extracted without material alteration to the audited financial statements of the Company, which has been prepared in accordance with the International Accounting Standards for Financial Reporting. The Company also acknowledges that it has sufficient funds to cover the requirements of the working capital for the next twelve months following the date of issue of this Prospectus.

The members of the Board also acknowledge that the financial information in this Prospectus is submitted in a way that is consistent with the established practice adopted in the annual financial statements of the issuer. The Board members also recognize that there has been no adverse material change to the financial and commercial conditions of the Company during the previous three-year period until the date of issuance of this Prospectus.

6.3 Summary of Significant Accounting Policies

Basis of Preparation of Financial Statements

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared in accordance with the historical cost convention, modified to reassess the available-for-sale investments at their fair value. Accordingly, these financial statements were not intended to be prepared to be in conformity with Accounting Standards generally accepted in the Kingdom of Saudi

Arabia. In other words, it is not in accordance with the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).

According to the Cooperative Insurance Companies Law, the Company maintains separate accounts for each of the insurance and shareholders operations. The physical custody and title of all assets related to insurance and shareholders operations are held by the Company. Revenues and expenses clearly attributable to any of these activities are recorded in the respective accounts. The Company's Management and the Board of Directors determine the basis on which the distribution of the expenses emanating from joint operations is built upon.

In accordance with the Company's by-laws, the surplus arising from insurance operations is distributed as follows:

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

New International Financial Reporting (IFR) Standards, and International Financial Reporting and Interpretations Committee and amendments thereto adopted by the Company

The accounting policies used in the preparation of financial statements are consistent with those followed in the preparation of financial statements for the preceding fiscal years with the exception of the new and modified standards and interpretations mentioned below which were adopted by the Company in the preparation of these financial statements for periods beginning from or after January 1, 2013G, but had no significant financial impact on the financial statements of the Company.

- Amendment to International Accounting Standard (IAS) 1, "Presentation of Financial Statements", regarding other comprehensive income, effective July 1, 2012G. The main change resulting from these amendments is to a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially re-classifiable to profit or loss subsequently (restatement adjustments). The amendments do not address which items are presented in other comprehensive income.
- Amendment to International Accounting Standard (IAS) 19, "Employee Benefits", effective from January 1, 2013G. These amendments eliminate "corridor approach" and calculate finance costs on a net funding basis.
- Amendment to International Financial Reporting Standard 7, "Financial Instruments: Disclosures", on assets and liabilities offsetting, effective from January 1, 2013GG.
- Amendment to IFRS 1, 'First time adoption', on government loans, effective January 1, 2013G. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008G.
- Amendment to IFRSs 10, 11 and 12 on transition guidance, effective January 1, 2013G. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.
- IFRIC 20, 'Stripping costs in the production phase of a surface mine', effective January 1, 2013G. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.
- IFRS 10 'Consolidated financial statements', effective January 1, 2013G. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.
- IFRS 11, 'Joint arrangements', effective January 1, 2013G. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal

form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, 'Disclosures of interests in other entities', effective January 1, 2013G. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', effective January 1, 2013G. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and United States Generally Accepted Accounting Principles (GAAP) do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS 27 (revised 2011G), 'Separate financial statements', effective January 1, 2013G. IAS 27 (revised 2011G) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised 2011G), 'Associates and joint ventures', effective January 1, 2013G. IAS 28 (revised 2011G) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- Annual improvements 2011G, effective January 1, 2013G. These annual improvements, address six issues in the 2009G-2011G reporting cycle. It includes changes to:
 - IFRS 1, 'First time adoption'
 - IAS 1, 'Financial statement presentation'
 - IAS 16, 'Property plant and equipment'
 - IAS 32, 'Financial instruments; Presentation'
 - IAS 34, 'Interim financial reporting'

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing on or after January 1, 2014G.

- Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting, effective January 1, 2014G. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities, effective January 1, 2014G. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures, effective January 1, 2014G. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39 'Novation of derivatives', effective January 1, 2014G. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.
- IFRS 9, 'Financial instruments', effective January 1, 2014G. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.
- IFRIC 21, 'Levies', effective January 1, 2014G. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The deadline for the application of the new standards, as amended, and interpretations issued which became effective for periods beginning on or after January 1, 2014G mentioned above is January 1, 2016G.T the Company's management believes that the application of these standards will not have a material effect on the financial position of the Company.

Use of estimates in the preparation of financial statements

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

Insurance Contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur . Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Investment Contracts

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Segment Reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operation and 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.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. No inter-segment transactions occurred during the period. If any transaction was to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Shareholders' income is a non-operating segment. Income earned from time deposits and investments is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The loss or surplus from the insurance operations is allocated to this segment on an appropriate basis.

Functional and Presentation Currency

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

Property and Equipment

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

- | | |
|--|---------|
| • Computer equipment & software | 4 Years |
| • Furniture, fixtures and office equipment | 5 Years |
| • Vehicles | 4 Years |

The assets' useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of insurance operations and accumulated surplus under other income.

Financial Assets

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

- Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.
- Available-for-sale investments: Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices and are designated as such at inception.
- Held-to-maturity investments: Investments which have fixed or determined payments and the Company has the positive intention and ability to hold to maturity are classified under this category.

Recognition and Measurement

Purchases and sale of available-for-sale investments are recognized on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value. Changes in the fair value of available-for-sale investments are recognized in statements of shareholders' comprehensive operations and financial position for insurance operations. Loans and receivable and Investments, held-to-maturity are carried at amortized costs less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of shareholders' income when the investment is derecognized or impaired.

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

Determination of Fair Values

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, fair value is determined using valuation techniques. These include the use of

recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of insurance operations and accumulated surplus and statement of shareholders income. Dividends on available-for-sale equity instruments are recognized in statement of insurance operations and accumulated surplus and statement of shareholders' income when the Company's right to receive payments is established. Both are included in the commission income line.

Impairment of Assets

Financial assets carried at amortized cost: The Company assesses at each reporting period end whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of insurance operations and accumulated surplus.

Available-For-Sale Investments

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. The cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from shareholders' equity and recognized in the statement of insurance / shareholders' operations. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of insurance /shareholders' operations.

De-Recognition of Financial Assets

The financial asset (or part of a financial asset or part of a group of similar financial assets, where applicable) is derecognized at the end of the right to receive cash flows from the asset or when the Company reserves the right to receive cash flows from the asset and assumed the obligation to pay Cash flows received in full to another party without material delay under a waiver of the other party, or has substantially either move all the risks and rewards of the asset nor transferred nor retained substantially all the risks and rewards of the asset agreements, but has transferred control of the asset. When the Company has transferred its rights to receive cash flows from the asset or has entered into a concession to the other party or movement of agreements did not retain all the risks and benefits of the assets are substantially not transfer control of the asset, then the assets are recognized, provided the continuity of the Company's handling of these assets.

The continuity deal extends the guarantee on the movable assets and is measured at the original carrying amount of the assets or the maximum amounts that may be required to repay the Company, whichever is less. In this case, the Company also recognizes the liabilities associated. Measured movable assets and liabilities associated with the basis that reflects the rights and obligations retained by the Company.

Premiums Earned and Commission Income

Premiums are taken into income over the terms of the respective policies on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. Premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods:

- Premium written in last three months of the financial year for marine cargo business; and
- Actual number of days for other lines of business

Premiums Receivable

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

Reinsurance

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

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

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

Deferred policy Acquisition Costs

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

Claims

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

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

Liability Adequacy Test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contracts liabilities net of related deferred policy acquisition costs. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations initially by writing off the related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the un-expired risk provision). Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Time Deposits

These comprise of deposits with banks with maturity periods of less than one year and more than three months from the date of acquisition.

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.

Unearned Reinsurance Commission

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

Provisions

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

Accrued and other liabilities

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

Payables

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

End-of-Service Indemnities

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

Zakat and taxes

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of shareholders' comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

De-recognition of Financial liabilities

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

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.

Revenue Recognition

Recognition of premium and commission revenue: Gross premiums and commissions are recognized with the commencement of the insurance risks. The portions of premiums and commission that will be earned in the future are reported as unearned premiums and commissions, respectively, and are deferred on a basis consistent with the term of the related policy coverage.

Premiums earned on reinsurance assumed, if any, are recognized as revenue in the same manner as if the reinsurance premiums were considered to be gross premiums. Commission income Commission income on time deposits and held-to-maturity investments is recognized on a time proportion basis using the effective interest rate method. Dividend income Dividend income is recognized when the right to receive a dividend is established.

Leasing

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

Trade Date Accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Critical Accounting Estimates and Judgments

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis. The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

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 recognized are not included in a collective

assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred Policy Acquisition Costs

Certain acquisition costs related to the sale of new policies are recorded as deferred policy acquisition costs, and are amortized in the insurance operations accumulated surplus over the period of related insurance coverage period. In case the assumptions of future profitability for these insurance policies are not realized, the amortization of these costs shall be accelerated, and this may also require additional impairment write-offs in the statement of insurance operations the accumulated surplus.

6.4 Results of Operations

Statement of insurance operations income

25 - Table (6-1): statement of insurance operations

SAR 000s	2011G	2012G	2013G
Gross written premiums	278,560	234,093	347,191
Ceded Premiums	(124,750)	(75,469)	(153,798)
Net premiums	153,811	158,624	193,392
Changes in unearned premiums	10,621	19,238	(28,081)
Net Earned premiums	164,432	177,862	165,311
Earned reinsurance commission	15,195	10,453	21,223
Other underwriting Income	310	164	96
Total Revenues	179,937	188,479	186,630
Underwriting costs and expenses			
Gross claims paid	116,107	121,740	117,449
Claims recovered from Reinsurance	(24,906)	(31,785)	(22,240)
Net claims paid	91,201	89,955	95,210
Changes in outstanding claims	10,074	11,391	15,194
Net incurred claims	101,275	101,346	110,403
Policy acquisition costs	27,041	23,156	20,593
Excess of loss expenses	5,994	5,642	6,724
Other underwriting expenses	3,767	5,103	3,947
Total Underwriting Costs and Expenses	138,078	135,247	141,669
Net underwriting income	41,859	53,231	44,962
Other operating expenses, net			
Operating and administrative salaries	(21,176)	(25,110)	(30,834)
General and administrative expenses	(15,082)	(13,761)	(14,267)
Commission income from bank deposits	413	839	401
Total other operating expenses, net	(35,846)	(38,033)	(44,700)
Net surplus from insurance operations	6,013	15,199	262
Net surplus from insurance operations transferred to shareholders operations	(5,412)	(13,679)	(236)
Net results from insurance operations after appropriation of surplus	601	1,520	26

SAR 000s	2011G	2012G	2013G
Retention ratio	55.20%	67.80%	55.70%
Net earned premiums as a percentage of Gross written premium	59.00%	76.00%	47.60%
Net loss ratio (net incurred premiums/net earned premiums)	61.60%	57.00%	66.80%
Commission income from total written premiums	9.70%	9.90%	5.90%
Commission income to assigned premiums	12.20%	13.90%	13.80%
Net result to Gross written premiums	15.00%	22.70%	13.00%
General and administrative expenses to Gross written premiums	5.40%	5.90%	4.10%
Surplus (deficit) from insurance operations to Gross written premiums	2.20%	6.50%	0.10%

Source: Audited Financial Statements and company analysis

Surplus from insurance operations rose from SAR 6 million in 2011G to SAR 15 million in 2012G. This rise is due to the increase in the net earned premiums at the amount of SAR 13.4 million as a result of the increase in the net written premiums at the amount of SAR 4.8 million in addition to the increase of the changes in unearned premiums at the amount of SAR 8,6 million while the net incurred claims remain unchanged. Surplus from insurance operations decreased to SAR 262 thousand during 2013G due to the decline in net earned premiums at the amount of SAR 12 million along with an increase in the net incurred claims at the amount of SAR 9 million.

In 2011G, the gross written premiums amounted to SAR 279 million. In 2012G it decreased to SAR 234 million. This decrease is attributed to the decline in the medical insurance premiums at the amount of SAR 34 million due to decrease in the sales of individual medical insurance policies in 2012G compared to 2011G, according to the Company's strategy at that period. The gross written premiums rebounded in 2013G to reach SAR 347 million due to:

- The increase of written premiums in the property sector at an amount of SAR 67 million as a result of signing major new contracts in 2013G, which are as follows:

Client Name	Gross written premiums
Saudi Electricity Company	SAR 30.1 million
Chevron Arabia	SAR 55.4 million

- The increase in premiums relating to motor segment of SAR 47 million is attributed mainly to issuance of new motor policies by SAR 31 million. The following is part of it:

Client Name	Gross written premiums
Al Jazeera for Equipment	SAR 14 million
Alsharqiya Trading Company	SAR 5 million
Bassami global company	SAR 4 million

Changes in unearned premiums rose from SAR 10.6 million in 2011G to reach SAR 19 million in 2012G, which is attributed to the decline in the written premiums during the year 2012G and resulted in the decrease of unearned premiums at an amount of SAR 8.6 million. It further decreased in 2013G to reach minus SAR 28 million due to the increase of written premiums at an amount of SAR 113 million which led to an increase in unearned premiums at an amount of SAR 47 million.

The decrease in underwriting costs of insurance policies from SAR 27 million in 2011G to SAR 25 million in 2012G is attributed to the decrease in gross written premiums in 2012G as compared to 2011G; it also decreased in 2013G despite the increase in gross written premiums at an amount of SAR 113 million. This is attributed to the issuance of a broker's regulation by the Saudi Arabian Monetary Agency that determines the value of the commission due on each sector and the commission specified in the implementing regulation is less than the commission that was paid prior to the issuance of this regulation.

The net underwriting results rose from SAR 42 million in 2011G to SAR 53 million SAR in 2012G. This increase resulted mainly from the increase in earned premiums at a value of SAR 14 million in 2012G. The net underwriting results decreased by SAR 8 million in 2013G from SAR 53 million in 2012G to SAR 44.9 million in 2013G. The decrease in the net underwriting results in 2013G is mainly due to the decrease in net premiums earned at

a value of SAR 12.5 million, and the increase in net incurred claims by SAR 9 million and the corresponding increase in net commission income of SAR 11 million during the same period.

There has been a remarkable improvement in the net surplus from insurance operations as a percentage of gross written premiums from 2% in 2011G to 6% in 2012G and a decline to 0.1% of gross written premiums in 2013G. The net surplus from insurance operations in 2013G is attributed to the increase in loss ratio from 62% in 2012G to 67% in 2013G due to the decrease of net earned premiums in 2012G by SAR 12.6 million and the increase of net incurred claims by SAR 9 million, along with the increase in general and administrative expenses as well as an increase in the expenses of operating and administrative salaries mainly due to recruitment of additional staff in order to meet the expansion of the business. The staff costs accounted for 68% of gross general and administrative expenses in 2013G.

Statement of Shareholders Operating Income

26 - Table (6-2): Statement of Shareholders Income

SAR 000s	2011G	2012G	2013G
Revenues			
Surplus transferred from insurance operations	5,412	13,679	236
Commission income on bank deposits and investments held-to-maturity	790	867	794
Net realized gain on investments held for sale	-	7,212	25,655
Total revenues	6,202	21,758	26,685
Expenses			
General and administrative expenses	(1,623)	(2,998)	(2,039)
Shareholders' net income for the year	4,579	18,760	24,646
Other expenses			
Unrealized fair value changes on available-for-sale investments	1,654	4,642	9,993
Provision for zakat and income tax	(1,875)	(2,750)	(3,000)
Total comprehensive income for the year	4,358	20,652	31,639
Shareholders key performance indicators			
General and administrative expenses as a ratio of total Gross written premiums	0.58%	1.28%	0.59%
Total comprehensive income for the year as a percentage of total Gross written premiums	1.56%	8.82%	9.11%

Source: Audited Financial Statements and company analysis

In accordance with the Implementing Regulation issued from the Saudi Arabian Monetary Agency (SAMA) (Article 70, paragraph "e"), 90% of the gross surplus from insurance operations is transferred to the shareholders, which increased from SAR 5 million in 2011G to SAR 14 million in 2012G and declined to SAR 236 thousand in 2013G.

General and administrative expenses of the shareholders operations rose from SAR 1.6 million in 2011G to SAR 3 million in 2012G due to the increase of the Board of Directors' fees by SAR 1.4 million in 2012G. General and administrative expenses for the year 2013G have also decreased to SAR 2 million due to the decrease of the Board of Directors' fees by SAR 900 thousand in 2013G.

The Company's comprehensive income has improved from SAR 4 million in 2011G to SAR 21 million in 2012G as a result of the increase in the surplus transferred from insurance operations as well as the increase of realized gains on investments at an amount of SAR 7 million. The comprehensive income has also increased to SAR 32 million in 2013G due to the increase of realized gains from the sale of available-for-sale investments from SAR 7.2 million in 2012G to SAR 25.6 million in 2013G following the liquidation of investment portfolios.

Statement of Operating Income by insurance segment

27– Table (6-3): statement of insurance operations income by Insurance segments

SAR 000s	Medical	Motor	Properties	Others	Total
Gross written premiums	44,509	106,831	122,197	73,654	347,191
Net premiums written	44,509	105,821	4,399	38,664	193,392
Net premiums earned	42,631	82,669	3,828	36,183	165,311
Reinsurance commission income	7,585	202	8,622	4,814	21,223
Other Underwriting Income	-	43	10	44	96
Total revenues	50,216	82,914	12,460	41,041	186,630
Gross claims paid	(28,315)	(59,975)	(7,307)	(21,853)	(117,449)
Claims recovered from Reinsurance	6,357	1,452	2,581	11,849	22,240
Change in outstanding claims	3,397	(17,052)	(2,621)	1,083	(15,194)
Net claims incurred	(18,560)	(75,575)	(7,347)	(8,921)	(110,403)
Other underwriting expenses	(7,263)	(11,584)	(3,925)	(8,493)	(31,265)
Net Underwriting results	24,393	(4,244)	1,187	23,626	44,962
Main Indicators / Ratios					
Net earned premiums to total Gross written premiums	96%	77%	3%	49%	48%
Net Loss ratio	44%	91%	192%	25%	67%
Commission income as percentage to total Gross written premiums	0%	20%	7%	14%	14%
Net underwriting surplus as a percentage of total Gross written premiums	55%	(4%)	1%	32%	13%

Source: Audited Financial Statements and company analysis

The increase in the retention rate of the medical insurance and motor insurance is attributed to the company's reliance on the loss surplus methodology for reinsurance of these two sectors. According to this methodology, no premiums will be assigned to the reinsurer, but the reinsurer pays in advance the claim amounts that exceed the agreed upon limit in return for the company's payment of fees to the reinsurer known as excess of loss premiums. The retention rate in the property sector is low because the number claims in this sector is low in number but of high value. Therefore, the company tends to assign a large percentage of this sector's premiums to the reinsurers. Reinsurance in this sector is performed by way of proportional method, where a proportion of written premiums is assigned to the reinsurers who bear the same percentage of the relevant claims.

The medical sector reinsurance commissions as of 31 December 2013G represent the income commission received by the company for the previous years. The net underwriting results amounted to 13% of the gross written premiums as of 31 December 2013G. This is attributed to the increase in gross written premiums and the increase of net loss rate.

The net loss rate is one of the most important indicators of profitability in the insurance industry. It represents the ratio of net incurred claims to net earned premiums. Net loss ratio for vehicle sector was 91% in 2013G due to the large number of claims in this sector, while it was 25% for other general insurance sectors (with the exception of the property sector) which indicates a rise of profitability in these sectors.

Statement of Operating Income by insurance segment as at 31 December 2012G

28 - Table (6-4): Statement of Operating Income by insurance segment as at 31 December 2012G

Item in SAR'000	Medical	Motor	Properties	Others	Total
Gross written premiums	64,705	59,574	54,485	55,328	234,093
Net premiums written	64,239	58,634	2,793	32,958	158,624
Net premiums earned	78,513	60,828	2,576	35,945	177,862
Reinsurance commission income	-	188	6,312	3,953	10,453
Other Underwriting Income	1	113	9	41	164
Total revenues	78,514	61,129	8,897	39,939	188,479
Gross claims paid	(34,386)	(58,088)	(7,790)	(21,477)	(121,740)
Claims recovered from Reinsurance	14,995	2,154	6,336	8,301	31,785
Changes in outstanding claims	(7,326)	(2,550)	(40)	(1,475)	(11,391)
Net claims incurred	(26,717)	(58,484)	(1,494)	(14,651)	(101,346)
Other underwriting expenses	(11,760)	(8,002)	(3,894)	(10,245)	(33,901)
Net Underwriting results	40,036	(5,358)	3,509	15,043	53,231
Main Indicators / Ratios					
Net earned premiums to total Gross written premiums	121%	102%	5%	65%	76%
Net Loss ratio	34%	96%	58%	41%	57%
Commission income as a percentage of total Gross written premiums	0%	20%	12%	18%	14%
Net underwriting surplus as a percentage of total Gross written premiums	62%	(%9)	6%	27%	23%

Source: Audited Financial Statements and company analysis

Net underwriting results stood at 23% of the total written premiums as at 31 December 2012G. This is attributed to the decrease of total written premiums and increase in net earned premiums.

Statement of Operating Income by insurance segment as at 31 December 2011G

29 - Table (6-5): Statement of Operating Income by insurance segment as at 31 December 2011G

Item in SAR'000	Medical	Motor	Properties	Others	Total
Gross written premiums	98,541	63,415	28,452	88,152	278,560
Net premiums written	53,611	62,293	3,031	34,876	153,811
Net premiums earned	28,965	98,937	2,839	33,691	164,432
Reinsurance commission income	4,373	224	5,483	5,115	15,195
Other Underwriting Income	10	256	9	36	310
Total revenues	33,348	99,416	8,330	38,842	179,937
Net claims incurred	(11,950)	(76,912)	(1,389)	(11,024)	(101,275)
Underwriting expenses	(4,727)	(19,140)	(4,025)	(8,911)	(36,803)
Net Underwriting results	16,671	3,364	2,917	18,908	41,859
Main Indicators / Ratios					
Net earned premiums to total Gross written premiums	29%	156%	10%	38%	59%
Net Loss ratio	41%	78%	49%	33%	62%
Commission income to total Gross written premiums	10%	20%	22%	10%	12%
Net underwriting surplus as a percentage of total Gross written premiums	17%	5%	10%	21%	15%

Source: Audited Financial Statements and company analysis

Total gross written premiums

Total gross written premiums against net written premiums

30 - Table (6-6): Total gross written premiums against net written premiums

SAR' 000	Total gross written premiums			Net premiums written		
	2011G	2012G	2013G	2011G	2012G	2013G
Engineering	48,536	22,072	28,970	6,417	4,050	3,926
Properties	28,452	54,485	122,197	3,031	2,793	4,399
Marine	21,194	19,868	22,247	18,233	19,607	21,352
Accident	18,422	13,388	22,437	10,226	9,301	13,385
Motor	63,415	59,574	106,831	62,293	58,634	105,821
Medical	98,541	64,706	44,509	53,611	64,238	44,509
Total	278,560	234,093	347,191	153,811	158,624	193,392

Source: Audited Financial Statements

The decrease in gross written premiums from SAR 279 million in 2011G to SAR 234 million in 2012G is attributed to the decrease of the gross written premiums for the engineering sector by SAR 26 million (because the engineering sector includes insurance of the inherently non-renewable construction projects), and the decline in the medical sector by SAR 34 million (due to the decline in selling individual medical insurance policies in 2012G as compared to 2011G. This in line with to the company's strategy at that time which aims at having the medical insurance premiums not to exceed 20% of the total gross written premiums. This is corresponded by the rise in premiums written for the property sector of SAR 26 million.

The increase in gross written premiums from SAR 234 million in 2012G to SAR 347 million in 2013G is attributed primarily to the following:

- The increase in gross written premiums for property sector by SAR 67 million as a result of substantial policies that were subscribed in 2013G which are as follows:

Client Name	Gross written premiums
Saudi Electricity Company	SAR 30.1 million
Chevron Arabia	SAR 55.4 million

The increase in premiums relating to motor segment of SAR 47 million is attributed mainly to issuance of new motor policies by SAR 31 million. Some of the major issuances are:

Al Jazeera for Equipment	SAR 14 million
Alsharqiya Trading Company	SAR 5 million
Bassami global company	SAR 4 million

- This is corresponded by the decrease in gross written premiums for the medical sector by SAR 2 million. This decrease is mainly attributed to the decrease in the sales of individual medical insurance policies in 2013G while compared to 2011G and 2012G, according to the Company's strategy.

Net written premiums for the medical sector and motors constitute 78% for the years 2012G and 2013G and 76% for the year 2011G.

Total gross written premiums by sale channel

31 - Table (6-7): Total gross written premiums by sale channel

Sales Channels (SAR' 000)	2011G	2012G	2013G
Direct sales	123,888	93,087	104,009
Brokers/agents	154,672	141,006	243,180
Total	278,560	234,093	347,189
Ratio of total sales			
Direct sales	44%	40%	30%
Brokers/agents	56%	60%	70%
Total	100%	100%	100%

Source: Audited Financial Statements

Since 2011G until 2013G, the company relies on brokers and agents as the main distribution agencies where their share constituted 56%, 60% and 70%, respectively of the total gross written premiums. The brokers and agents' share increased due to the increase in written premiums for property and motor vehicle sectors.

Total gross written premiums by region

32- Table (6-8): Total gross written premiums by region

Region	2011G	2012G	2013G
Eastern region	164,000	147,090	234,190
Central region	54,230	40,000	63,000
Western region	60,330	47,000	50,000
Total	278,560	234,090	347,190
Ratio of total			
Eastern region	59%	63%	67%
Central region	19%	17%	18%
Western region	22%	20%	14%
Total	100%	100%	100%

Source: Company Management

Reinsurance

33 - Table (6-9): Total reinsurance premiums ceded by reinsurance method (including loss surplus premiums)

Insurance sector	2011G	2012G	2013G	2011G	2012G	2013G
	(SAR' 000)			of Total %		
Engineering	42,543	18,424	25,510	33%	23%	16%
Properties	26,026	52,292	118,318	20%	64%	74%
Marine	4,189	1,260	1,884	3%	2%	1%
Accident	8,517	4,321	9,136	7%	5%	6%
Motor	4,538	2,397	2,949	3%	3%	2%
Medical	44,930	2,418	2,725	34%	3%	2%
Total	130,744	81,111	160,523	100%	100%	100%

Source: Audited Financial Statements and company analysis

34 - Table (6-10): Ratio of ceded premiums by operational segment (including excess of loss)

Insurance sector	2011G	2012G	2013G
Engineering	88%	83%	88%
Properties	91%	96%	97%
Marine	20%	6%	8%
Accident	46%	32%	41%
Motor	7%	4%	3%
Medical	46%	4%	6%
Total	47%	35%	46%

Source: Audited Financial Statements and company analysis

Premiums ceded to reinsurers declined from SAR 131 million in 2011G to SAR 81 million in 2012G as a result of the decrease in gross written premiums, as well as the change in the medical sector reinsurance agreement from proportional to excess of loss contracts. Accordingly, the ceded premiums increased to SAR 161 million in 2013G (with a decline in the assignment rate from 47% to 46%) due to the following reasons:

- The ceded premiums increased mainly due to the increase in gross written premiums.
- The decline in the assignment rate is mainly due to the change of the reinsurance agreement for the medical sector from quota-share (proportional contracts) to excess of loss (non-proportional), where the assignment rate was 50% of the gross written premiums minus the expenses charged to the company as of 31 December 2011G.
- In general, the increase in ceded premiums is consistent with the increase in gross written premiums for the general insurance sectors. Normally, the general insurance sectors are either reinsured using proportional or facultative contracts, contrary to mandatory insurance sectors, such as the medical and motor insurance, that are normally reinsured using non-proportional contracts.

Statement of reinsurers' agreements for the year ending on 31 December 2013G

35 - Table (6-11): Statement of reinsurers' agreements

All non-marine (Proportional contracts)			
Reinsurers	participation %	AM Best rating	Standard & Poor's rating
Saudi Re	25.00%	A+	BBB+
Gulf Re	5.00%	A-	
ICR Re	11.00%	A-	
RV	17.50%		AA-
India General Insurance Company	10.00%	A-	
Al Fajr Re	10.00%	B++	
Korean Re	5.00%	A	A-
Qatar Re	7.50%		A
Malaysian Rey	4.00%	A-	
Takaful Re	5.00%		BBB
All non-marine (Excess of Loss contracts)			
Reinsurers	participation %	AM Best rating	Standard & Poor's rating
Sirius International Insurance	40.00%		A-
ICR Re	7.50%	A-	
Gulf Re	6.00%	A-	
India General Insurance Company	8.50%	A-	
Malaysian Re	5.00%	A-	

All non-marine (Proportional contracts)			
Reinsurers	participation %	AM Best rating	Standard & Poor's rating
Qatar Re	7.50%		A
Korean Re	5.00%	A	A-
Taiping Reinsurance	5.00%	A-	A-
Al Fajr Re	7.50%	B++	
Trust Re	8.00%	A-	
Marine (Excess Loss Contracts)			
Reinsurers	participation %	AM Best rating	Standard & Poor's rating
Trust Re	17.50%	A-	
Lloyds	15.00%		
India General Insurance Company	15.00%	A-	
Best Re	10.00%	A+	AA-
Kuwait Re	10.00%	A-	BBB+
Al Fajr Re	7.50%	B++	
Takaful Re	7.50%		BBB
Tunis Re	4.50%	A-	
Labuan Re	9.00%	A-	
African Re	4.00%	A-	
Medical (Excess of Loss)			
Reinsurers	% participation	AM Best rating	Standard & Poor's rating
Arch Re	50.00%	A-	
SCOR	30.00%	A-	
IGI	20.00%		

Source: Company Management

Earned commission

36 - Table (6-12): Earned Commissions

Commissions (SAR' 000)	2011G	2012G	2013G
Commission received	20,056	15,651	26,725
Change in unearned commission	4,861	5,198	5,502
Earned commission	15,195	10,453	21,223

Source: Audited Financial Statements

Received commissions by insurance segment

37- Table (6-13): Received commissions by insurance segment

Insurance sector	2011G	2012G	2013G	2011G	2012G	2013G
	SAR'000			% of Total		
Engineering	7,037	6,280	6,359	35%	40%	24%
Properties	7,404	8,702	11,765	37%	56%	44%
Marine	768	(29)	-	4%	0%	0%
Accident	30	290	488	0%	2%	2%

Insurance sector	2011G	2012G	2013G	2011G	2012G	2013G
	SAR'000			% of Total		
Motor	224	188	202	1%	1%	1%
Medical	4,593	220	7,805	23%	1%	29%
Total	20,056	15,651	26,725	100%	100%	100%

Source: Audited Financial Statements and Company analysis

Received commissions as a percentage of premiums assigned

38- Table (6-14): Received commissions as a percentage of premiums assigned

Insurance sector	2011G	2012G	2013G
Engineering	17%	34%	25%
Properties	28%	17%	10%
Marine	18%	(2%)	0%
Accident	0%	7%	5%
Motor	5%	8%	7%
Medical	10%	9%	286%
Total	15%	19%	17%

Source: Company analysis

Commissions received include both reinsurance commission and income commission. The company gets reinsurance commissions from business covered by relative insurance agreements (such as engineering and property insurance). Moreover, the commission income from reinsurers results from the facultative insurance business (activity). Commissions received as a percentage of ceded premiums are generally consistent with the provisions of the agreement relating to each insurance sector for each year. Received engineering insurance commissions decreased as a percentage of premiums assigned from 34% in 2012G to 25% in 2013G as a result of the rise in the facultative insurance which is characterized by the low commission.

The percentage of reinsurance commissions for the property sector decreased as a percentage of premiums assigned from 28% in 2011G to 17% in 2012G to 10% in 2013G due to the increase of premiums assigned during the mentioned years. Therefore, the largest value of this commission turned into unearned commissions.

For the marine sector, the re-insurance commissions, as a percentage of ceded premiums, decreased from 18% in 2011G to minus 2% in 2012G before rising to 0% in 2013G because the marine sector reinsurance agreement for the year 2013G was an excess of loss agreement.

Reinsurance commissions for the accident sector increased from 0% in 2011G to 7% in 2012G due to the decrease of ceded premiums and the increase of earned commissions during the year 2012G. While the rise of ceded premiums by SAR 4.8 million led to an increase in unearned commissions and subsequently the decrease of earned commissions to 5 % in 2013G.

Reinsurance commissions for the medical sector decreased from 10% to 9% from the year 2011G in 2012G as a result of the transition of the reinsurance program from proportional to excess of loss contract. Thus, all commissions received in 2011G were converted to commissions payable in 2012G. Then, it rose to 286% in 2013G as a result of the company's receipt of commissions income for the medical sector of the year 2011G during the year 2013G.

Claims

39- Table (6-15): Net incurred claims

Insurance	2011G	2012G	2013G	2011G	2012G	2013G
	SAR'000			Percentage (%) of Total		
Engineering	3,524	3,468	(15)	3.48%	3.42%	(0.0%)
Properties	1,389	1,494	7,347	1.37%	1.47%	6.65%
Marine	5,869	9,561	6,930	5.80%	9.43%	6.28%
Accident	1,631	1,622	2,007	1.61%	1.60%	1.82%
Motor	76,912	58,484	75,574	75.94	57.71%	68.45%
Medical	11,950	26,717	18,560	11.80%	26.36%	16.81%
Total	101,275	101,346	110,403	100.00%	100.00%	100.00%
Net Loss Ratio						
Engineering				65.1%	59.8%	(0.4%)
Properties				48.9%	58.0%	191.9%
Marine				30.9%	52.1%	32.3%
Accident				17.6%	4.5%	17.7%
Motor				77.7%	96.1%	91.4%
Medical				41.3%	34.0%	43.5%
Total				61.6%	57.0%	66.8%

Source: Company Management and Audited Financial Statements

40 - Table (6-16): Gross claims paid by insurance sector

Insurance sector	2011G	2012G	2013G	2011G	2012G	2013G
	SAR'000			(% of total		
Engineering	11,532	8,857	5,769	10%	7%	5%
Properties	6,531	7,790	7,307	6%	6%	6%
Marine	4,754	9,739	12,582	4%	8%	11%
Medical	19,746	34,386	28,314	17%	28%	24%
Accident	873	2,880	3,502	1%	2%	3%
Motor	72,671	58,088	59,975	63%	48%	51%
Total	116,107	121,740	117,449	100%	100%	100%

Source: Audited Financial Statements and company analysis

Net incurred claims remained constant for the years 2011G and 2012G at an amount of SAR 101 million due to the increase in net incurred claims for the medical sector by SAR 15 million, and the increase in net incurred claims for the marine sector by SAR 4 million. On the other hand, the net incurred claims for motor sector decreased by an amount of SAR 18 million. Net incurred claims increased to SAR 110 million in 2013G (which led to an increase in net loss ratio by 10%). This is mainly due to an increase in gross incurred claims for the motor sector by an amount of SAR 17 million and the increase in the property sector by of SAR 3 million. In contrast, there was a decline in the net incurred claims for the medical insurance sector at an amount of SAR 8 million in 2013G as compared to 2012G.

The increase in gross claims paid from SAR 116 million in 2011G to SAR 121.7 million in 2012G is attributed to the increase in the claims paid for the medical sector by an amount of SAR 14 million as a result of the increase in gross premiums earned in 2012G. Therefore, the net loss ratio in the medical sector decreased from 54% in 2011G to 41% in 2012G.

The decrease in gross paid claims to SAR 117 million in 2013G is attributed to the decrease in paid claims for the medical sector by SAR 6 million as a result of the decrease in gross earned premiums in 2013G. Therefore, despite the decrease in gross paid claims,; yet, the net loss rate for the medical sector rose from 41% in 2012G to 53% in 2013G. In contrast, gross claims paid for the marine sector increased by SAR 2.8 million.

41- Table (6-17): Gross claims paid against Reinsurers' share of claims paid

Insurance sector (SAR' 000)	2011G			2012G			2013G		
	Gross claims paid	Reinsurer's share	%	Gross claims paid	Reinsurer's share	%	Gross claims paid	Reinsurer's share	%
Engineering	11,533	9,762	85%	8,857	6,929	78%	5,769	4,168	72%
Properties	6,531	4,489	69%	7,790	6,336	81%	7,307	2,581	35%
Marine	4,755	159	3%	9,739	131	1%	12,582	6,299	50%
Medical	19,746	10,213	52%	34,386	14,995	44%	28,314	6,357	22%
Accident	873	-	0%	2,880	1,240	43%	3,502	1,382	39%
Motor	72,671	281	0%	58,088	2,154	4%	59,975	1,453	2%
Total	116,107	24,906	21%	121,740	31,785	26%	117,449	22,240	19%

Source: Company Management and Company analysis

In 2013G, the reinsurer's share amounted to 22% of gross claims paid for the medical sector due to excess of loss agreement for medical insurance policies where most claims fall under priority of excess of loss.

The reinsurers' share amounted to 2% of the gross claims paid for motor sector due to excess of loss agreement for motor insurance policies where most claims fall under priority of excess of loss.

Reinsurers' share of claims paid for the engineering sector amounted to 72%. This is attributed to the facultative insurance for this sector, which is characterized by a relatively higher share in the reinsurance business.

Reinsurers' share of claims paid for the marine sector amounted to 50% in 2013G, compared to 3% in 2011G and 1% in 2012G. This is attributed to the excess of loss reinsurance for this sector, where most of the claims normally fall under priority of excess of loss. However, when the volume of claims increases, the reinsurers share of claims paid increases too.

Gross claims paid by region

42 - Table (6-18): Gross claims paid by region

Area	2011G	2012G	2013G
Eastern region	85,814	71,616	58,926
Central region	17,584	23,069	24,724
Western region	12,709	27,055	33,800
Total	116,107	121,740	117,449
Ratio of total			
Eastern region	74%	59%	50%
Central region	15%	19%	21%
Western region	11%	22%	29%
Total	100%	100%	100%

Source: Audited Financial Statements and company analysis

Changes in outstanding claims

43 - Table (6-19): Changes in outstanding claims

Insurance sector	2011G	2012G	2013G	2011G	2012G	2013G
	SAR'000			(% of total		
Engineering	(2,895)	1,540	(1,404)	29%	(14%)	9%
Properties	652	(39)	(2,621)	(6%)	0.30%	17%
Marine	(580)	(47)	2,372	6%	0.40%	(16%)
Medical	(2,418)	(7,326)	3,397	24%	64%	(22%)
Accident	(309)	(2,969)	114	3%	26%	(1%)
Motor	(4,523)	(2,550)	(17,052)	45%	22%	112%
Total	(10,073)	(11,391)	(15,194)	100%	100%	100%

Source: Audited Financial Statements and Company analysis

The increase in the net change in outstanding claims from SAR 10 million in 2011G to SAR 11 million in 2012G is due to net change in outstanding claims for medical sector at an amount of SAR 4 million. This was corresponded by a decrease in the net change in outstanding claims at an amount of SAR 2 million

The increase from SAR 11 million in 2012G to up to SAR 15 million in 2012G was primarily due to the increase in the net change in outstanding claims for motor sector at an amount of SAR 13 million. This was corresponded by a decrease in the net change in outstanding claims for the medical sector by SAR 10 million.

Other expenses

Gross claims paid for medical insurance sector include claims management fees as follows:

44 - Table (6-20): Claims management fees

Item in SAR'000	2011G	2012G	2013G
Claims management fees	3,700	5,103	3,947

Source: Audited Financial Statements and Company analysis

The claim management fees represent the charges of other administrative bodies' for the medical insurance business. Globe Med was the management entity for medical insurance business in 2011G, while Next Care Co. is the other management entity for medical insurance for the years 2012G and 2013G. The increase in claim management fees from SAR 3.7 million in 2011G to SAR 5.1 million in 2012G was the result of fees due to the Claims' Management Company for the previous years.

Operating and administrative salaries

45- Table (6-21): Operating and administrative salaries

Item in SAR'000	2011G	2012G	2013G
Operating and administrative salaries	21,176	25.11	30,834

Source: Audited Financial Statements and Company analysis

Operating and administrative salary expenses of the gross written premiums rose from 8% in 2011G to 11% in 2012G before declining to reach 9% in 2013G due to recruitment of additional staff in order to meet the expansion of the business, where the company inaugurated 6 points of sale. Additionally, the promotion of some of the staff had played a role in increasing the expense of salaries and wages.

General and administrative expenses

46 - Table (6-22): General and administrative expenses

Item	2011G		2012G		2013G	
	SAR 000	% Total	SAR 000	% Total	SAR 000	% Total
Provision for Doubtful debts	7,136	47%	2,616	19%	1,310	9%
Legal and professional fees	2,057	14%	3,972	29%	3,443	24%
Rent	1,358	9%	1,979	14%	3,144	22%
Depreciation	1,100	7%	1,244	9%	1,396	10%
Stationery and office supplies	881	6%	484	4%	616	4%
Services	860	6%	847	6%	1,058	7%
Advertisement and promotion expenses	367	2%	214	2%	812	6%
Withholding tax	367	2%	314	2%	314	2%
Training	195	1%	543	4%	599	4%
Information technology expenses	191	1%	323	2%	166	1%
Travel and transportation expenses	224	1%	303	2%	292	2%
Direct Consumption of assets*	40	0%	59	0%	215	2%
Subscriptions (Elm Company and Simah Company)	0	0%	391	3%	433	3%
Other expenses	307	2%	472	3%	469	3%
Total	15,083	100%	13,761	100%	14,267	100%

Source: Audited Financial Statements and Company analysis

*This account contains purchases that are not included in the company's fixed assets, where they are recognized in the year of purchase as direct expenses due to its low value compared to the total fixed assets and their short useful life.

General and administrative expenses as a percentage of gross written premiums rose from 5.4% in 2011G to 5.9% in 2012G due to the decline in gross written premiums. The general and administrative expense as a percentage of gross written premiums decreased again to 4.1% in 2013G due to the rise in gross written premiums.

The rise in rent expense in 2013G while compared with 2012G resulted from the company's inaugurating of 6 new points of sale in 2013G. In the same year, the company has opened an independent claims center. These events led to an increase in the rent expense.

The increase in depreciation expense of SAR 1.1 million in 2011G to SAR 1.3 million in 2013G was due to the increase in the cost of property and equipment where it amounted to SAR 5.3 million in 2011G and it amounted to SAR 10.1 million in 2013G.

According to the International Financial Reporting Standard No. 16, depreciation is calculated based upon the production life. According to paragraph 4-22-13 of the guidelines issued by the SAMA related to the due care and the evaluation of general insurance companies in the Kingdom, the consumption of furniture, fixtures and office equipment will be according to the 10-year Straight Line Depreciation Method, as indicated by the professional care financial adviser in his report. The company will implement this recommendation as of the last quarter of 2014G, which will lead to the decrease of depreciation expense due to the decrease of the currently established 20% depreciation rate to 10% according to the guidelines issued by SAMA.

The decrease in the expenses of consulting and professional fees was primarily due to the decline in the Council of Cooperative Health Insurance expense as a result of the decrease in the gross written premiums for the medical sector. The insurance company must pay professional fees to the Council of Cooperative Health Insurance at an amount of 1% of the gross medical insurance written premiums. Since the gross written premiums for the medical sector dropped by SAR 20 million during the year 2013G, the advisory and professional fees decreased accordingly.

6.5 Balance Sheet

47 - Table (6-23): Balance Sheet

Item in SAR'000	2011G	2012G	2013G
Insurance operations' assets			
Cash and cash equivalents	137,716	81,786	119,382
Premiums and insurance balances receivable	57,260	62,065	79,109
Reinsurance share of unearned premiums	74,893	44,284	57,440
Reinsurers' share of outstanding claims	45,361	46,153	105,123
Deferred policy acquisition costs	13,759	9,721	12,050
Prepaid expenses and other assets	4,881	6,451	14,287
Accrued commission income	112	78	35
Property and equipment, net	2,314	3,207	4,533
Total insurance operations' assets	336,296	253,745	391,959
Shareholders' assets			
Cash and cash equivalents	26,273	60,000	86,366
Short term deposits	40,000	26,476	26,984
Other financial assets	51,397	64,801	60,942
Due from insurance operations	20,809	10,420	19,815
Accrued commission income	758	1,168	938
Statutory deposit	20,000	20,000	20,000
Total shareholders' Assets	159,237	182,865	215,045
Total assets	495,532	436,610	607,004
Insurance operations' liabilities			
Reinsurance balances payable	52,451	8,197	18,361
Unearned reinsurance commission	4,861	5,198	5,502
Unearned premiums	137,803	91,116	132,353
Gross outstanding claims	95,090	107,274	181,438
Accrued expenses and other liabilities	23,190	27,238	29,284
Due to shareholders' operations	20,809	10,420	19,815
Employees' end of service benefits	1,491	2,181	3,059
Insurance operations' surplus	601	2,121	2,147
Total insurance operations' liabilities	336,296	253,745	391,959
Shareholders' liabilities and equity			
Shareholders' liabilities			
Accrued expenses and other liabilities	4,751	7,728	8,269
Total shareholders' liabilities	4,751	7,728	8,269
Shareholders' equity			
Share capital	200,000	200,000	200,000
Accumulated losses	(52,138)	(36,128)	(14,482)
Fair value reserve	6,624	11,265	21,258

Item in SAR'000	2011G	2012G	2013G
Total shareholders' equity	154,486	175,137	206,776
Total shareholders' liabilities and equity	159,237	182,865	215,045
Total liabilities and shareholders' equity	495,532	436,610	607,004

Source: Audited Financial Statements

The insurance operations assets constituted 65% of total assets in 31 December 2013G (compared to 58% in 2012G), where the cash and cash equivalents amounted to 20% in 2013G (2012G: 19%) and the reinsurers' share of outstanding claims constituted 17% in 31 December 2013G (2012G: 11%) of total assets.

Cash and cash equivalents decreased from SAR 137 million in 31 December 2011G to SAR 81 million in 31 December 2012G. This is attributed to the decrease in gross written premiums and the increase of premiums receivables and the gross paid claims in 31 December 2012G. Cash and cash equivalents increased to SAR 119 million in 31 December 2013G as a result of the increase of gross written premiums.

The insurance premiums receivables rose from SAR 57 million in 2011G to SAR 62 million in 2012G to SAR 79 million in 2013G as most of the medical insurance policies written in 2011G were for individual insurance and the payment of these premiums is upfront. In 2012G, the individual medical insurance policies decreased and property insurance policies increased, which are usually collected over spaced-interval premiums throughout the policy period leading to a substantial increase in gross written premiums during the year 2013G.

The increase in the value of the outstanding claims by SAR 86 million during the years from 2011G to 2013G is mainly due to the increase in the property sector claims at an amount of SAR 54 million. This includes incurred but not reported (IBNR) claims of SAR 18 million in 31 December 2013G (2011G: SAR 500 thousand) and the increase in premium deficiency reserves for motor sector by of SAR 12 million in 31 December 2013G (2011G: zero SAR). The most important outstanding claims for the property sector are as follows:

Saudi Electricity Company	SAR 10.79 million
Jeddah foamed chip factory "Soft Dreams"	SAR 11.55 million
United Food Industries Company	SAR 5.6 million
Abdul Khaliq Saeed Group	SAR 3.75 million
Total	SAR 31.69 million

The rise in outstanding claims led to an increase in the reinsurer's share of outstanding claims by SAR 60 million as the support contracts in the property sector are facultative contracts. Therefore, the assignment rate is high in this sector which amounted to 97% in 2013G while the assignment rate for the medical and motor sectors is 3% and 6%, respectively as the reinsurance contracts in these sectors are excess of loss contracts.

Unearned premium reserves decreased from SAR 137 million as of 31 December 2011G to SAR 91 million in 2012G and then rose to SAR 132 million as a result of fluctuations in gross written premiums during the years 2011G, 2012G and 2013G, as well as the change in the medical sector reinsurance agreement from proportional contract in 2011G to excess of loss contract in 2012G and 2013G.

The fluctuation in the unearned gross premium reserves led to volatility in reinsurer's share of unearned premium reserves from SAR 74 million as of 31 December 2011G to SAR 44 million in 2012G before rebounding to SAR 57 million in 2013G.

The total shareholders' equity rose from SAR 154 million in 2011G to SAR 175 million in 2012G to SAR 207 million in 2013G as the Company realized profits of SAR 16 million in 2012G and SAR 22 million in 2013G, in addition to the rise of the fair value reserve by SAR 5 million in 2012G and SAR 10 million in 2013G.

48 - Table (6-24): Cash and Cash Equivalent (Shareholder Operations)

Item in SAR'000	2011G	2012G	2013G
Cash at banks	26,273	60,000	86,366
Total	26,273	60,000	86,366

Source: Audited Financial Statements and Company analysis

49- Table (6-25): Cash and Cash Equivalent (Insurance Operations)

Item in SAR'000	2011G	2012G	2013G	2011G	2012G	2013G
	SAR'000			(% of total		
Cash in hand	35	72	67	-	-	-
Cash at banks	37,617	41,650	33,420	27%	51%	28%
term deposits	100,064	40,064	85,895	73%	49%	72%
Total	137,716	81,786	119,382	100%	100%	100%

Source: Audited Financial Statements and Company analysis

50 - Table (6-26): Statutory deposit

Item in SAR'000	2011G	2012G	2013G
Cash at banks	20,000	20,000	20,000
Total	20,000	20,000	20,000

Source: Audited Financial Statements and Company analysis

Cash and cash equivalents for shareholders operations rose from SAR 26 million as of 31 December 2011G to SAR 60 million in 2012G as a result of realized gains from the sale of available-for-sale investments of SAR 7 million, and surplus transferred from insurance operations of SAR 13.6 million in addition to the transfer of SAR 13 million from term deposits to cash and cash equivalents during the year 2012G. The cash and cash equivalents for shareholders' operations also rose in 2013G to reach SAR 86 million as the Company realized profits 25 million from the sale of available-for-sale investments during the year 2013G.

Cash and cash equivalents of insurance's operations decreased from SAR 137 million as of 31 December 2011G to SAR 81 million in 2012G. This decrease is attributed to the decrease in gross written premiums and the rise of premiums receivables and gross paid claims in 2012G. Cash and cash equivalents increased to SAR 119 million in 2013G as a result of the rise of written premiums.

In accordance with the implementing regulation issued by the Saudi Arabian Monetary Agency (Article 58), the statutory deposit is equal to 10% of the capital. Deposit shall be deposited by the company and its revenues shall not be recorded in the company's books as they belong to the Saudi Arabian Monetary Agency.

51 - Table (6-27): Insurance premium receivables

Item in SAR'000	2011G	2012G	2013G
Insurance premiums receivable	66,243	73,594	91,590
Reinsurers receivable	1,135	1,206	1,564
Provision for doubtful debts	(10,118)	(12,734)	(14,045)
Net Insurance premiums receivable	57,260	62,066	79,109
Main performance indicators			
Gross written premiums	278,561	234,092	347,191
Average premiums receivable to total written premiums	21%	27%	23%

Source: Audited Financial Statements and Company analysis

52 - Table (6-28): provision for doubtful debts as at 31 December 2013G.

Duration	Debts in SAR'000	Provision for doubtful debts (%)	Value of provision for doubtful debts
1-90 Days	48,361	-	-
91-180 Days	17,688	15%	2,653
181-360 Days	15,528	25%	3,882
More than a year	10,013	75%	7,510
Total	91,590	15%	14,045

Source: Management reports

The Saudi Arabian Monetary Agency issued a new announcement on 01 January 2011G stating that the maturity date of the premiums payable is the date of issuance of the policy. Moreover, provision for doubtful debts should be calculated on balances that have a maturity period of more than 90 days based upon the implementing regulation of the insurance companies.

Insurance premium receivable rose from SAR 57 million in 2011G to SAR 62 million in 2012G and then to SAR 79 million in 2013G due to the decrease of individual medical insurance vis-à-vis the companies insurance in 2012G although the companies' policies are characterized by the increase in forward sale facilities and subsequently the increase in premium receivables in 2012G in addition to the rise in property insurance policies which are usually collected over spaced-interval premiums throughout the policy period. In addition to the previous two reasons, the substantial increase in 2013G was due to the rise of written premiums during the year.

Deferred policy acquisition costs

53- Table (6-29): Deferred policy acquisition costs

Insurance sector	2011G	2012G	2013G	2011G	2012G	2013G
	SAR'000			(% of total		
Engineering	1,848	1,222	957	13%	13%	8%
Properties	1,200	956	1,308	9%	10%	11%
Marine	286	483	486	2%	5%	4%
Accident	887	763	964	6%	8%	8%
Motor	1,855	1,531	3,395	13%	16%	28%
Medical	7,683	4,766	4,940	56%	49%	41%
Total	13,759	9,721	12,050	100%	100%	100%

Source: Audited Financial Statements and Company analysis

Deferred policy acquisition costs have been computed for the entire period covered by the analysis using the proportionality method based upon the commission paid to all insurance categories. In general, deferred policy acquisition costs have changed in a way that is consistent with the change in gross written premiums and the unearned premium reserves during the period from 31 December 2011G to 31 December 2013G.

The deferred policy acquisition costs decreased from SAR 14 million in 2011G to SAR 10 million in 2012G and then rose to SAR 12 million in 2013G due to the fluctuation in the gross written premiums.

Property and Equipment

Net property and equipment value increased from SAR 2.3 million in the year 2011G to SAR 3.2 million in 2012G, and then to SAR 4.5 million; an increase by 39% in 2012G and by 41% in 2013G due to the opening of new offices and branches.

Outstanding claims

54- Table (6-30): Outstanding claims

Item in SAR'000	2011G	2012G	2013G
Total			
Outstanding claims	46,500	51,944	116,694
Not reported claims	44,318	52,068	51,266
Premium deficiency reserves	-	-	12,978
Other provisions/reserves	4,272	3,262	500
Gross Outstanding Claims	95,090	107,274	181,438
Less: Reinsurer's share			
Reinsurer's share of outstanding claims	21,729	22,521	74,467

Item in SAR'000	2011G	2012G	2013G
Reinsurer's share of not reported claims	23,632	23,632	30,656
Total reinsurer's share of outstanding claims	45,361	46,153	105,123
Outstanding claims, net	49,729	61,121	76,315

Source: Audited Financial Statements and company analysis

Not reported claims represent the amounts allocated by the company to meet its financial obligations relating to incurred but not reported claims. These amounts are calculated by the actuary who will apply the probability and statistics theory under which these provisions are constituted.

The increase in total outstanding claims by an amount of SAR 12 million in 2012G as compared to 2011G is primarily due to the increase in the medical sector claims by an amount of SAR 7 million which include incurred but not reported claims reserves by an amount of SAR 3.8 million as the increase in total outstanding claims for motor sector at an amount of SAR 3 million which includes SAR 2.8 million of incurred but not reported claims.

The total outstanding claims for the year 2013G rose by SAR 74 million as a result of the increase in the value of outstanding claims for motor sector by SAR 16 million including premium deficit reserves for motor sector by SAR 12 million reserves in 2013G (2012G: zero SAR) as well as the increase in the property sector by SAR 54 million including the increase in incurred but not reported claims by SAR 16 million.

The most important outstanding claims for the property sector as of 31 December 2013G are as follows:

Saudi Electricity Company	SAR 10.8 million
Jeddah foamed chip factory "Soft Dreams"	SAR 11.5 million
United Company for Food Industries	SAR 5.6 million
Abdul Khaliq Saeed Group	SAR 3.8 million
Total	SAR 31.7 million

The rise in outstanding claims led to a rise in the reinsurer's share of outstanding claims value by SAR 60 million since the reinsurance contracts in the property sector are proportional and facultative. Therefore, the assignment rate is high in this sector which is 97% in 2013G while the assignment rates for motor and medical sectors are 3% and 6% respectively.

Claims incurred but not reported

55- Table (6-31): Reserves for incurred but not reported claims

Insurance sector	2011G	2012G	2013G	2011G	2012G	2013G
	SAR'000			(% of total)		
Engineering	16,731	17,031	10,932	38%	33%	21%
Properties	1,884	2,185	18,356	4%	4%	36%
Marine	2,643	3,093	3,642	6%	6%	7%
Accident	1,694	1,694	1,584	4%	3%	3%
Motor	14,241	17,041	10,946	32%	33%	22%
Medical	7,125	11,024	5,806	16%	21%	11%
Total	44,318	52,068	51,266	100%	100%	100%

Source: Audited Financial Statements and Company analysis

Claims incurred but not reported are calculated by an independent actuary appointed by the Company management.

6.6 Statement of cash flows (insurance and shareholders operations)

56- Table (6-32): Cash flows (insurance and shareholders operations)

Item in SAR'000	2011G	2012G	2013G
Insurance operations			
Cash flows from operations	34,363	(29,728)	31,157
Cash flows from investing activities	(873)	(2,133)	(2,721)
Cash flows from financing activities	17,986	(24,068)	9,159
Cash at beginning of the year	86,240	137,716	81,786
Cash at end of the year	137,716	81,786	119,381
Shareholders operations			
Cash flows from operations	(20,280)	21,485	(13,467)
Cash flows from investing activities	468	12,242	39,833
Cash at beginning of the year	46,085	26,272	60,000
Cash at end of the year	26,272	60,000	86,366

Source: Audited Financial Statements

Cash flow from insurance operations decreased from SAR 138 million in 2011G to SAR 82 million in 2012G mainly due to the decrease in the reinsurers' accounts payable by SAR 44 million and the decrease in amounts due to shareholders by SAR 24 million and an increase in net surplus by SAR 15 million. In 2013G, cash flow and cash flow equivalents rose to reach SAR 119 million mainly due to the rise in net outstanding claims by SAR 15 million in addition to the rise in net unearned premiums by SAR 28 million.

Cash flow from shareholders operations rose from SAR 26 million in 2011G to SAR 60 million in 2012G. This is attributed to the liquidation of a term deposit into cash at an amount of SAR 13 million, and the decrease in the amounts due from insurance operations by SAR 10 million as well as the increase in the net annual income that amounted to SAR 19 million in 2012G while cash flow and cash equivalents rose to SAR 86 million in 2013G. Amount due from insurance operations rose by SAR 9 million and the rise in net annual income by SAR 24 million a result of the profits realized from the sale of investments available for sale.

6.7 Assets included in solvency margin account

57- Table (6-33): Computing solvency margin

Item	31/12/2011G	31/12/2012G	31/12/2013G	30/09/2014G
Assets included in the solvency margin calculation				
Insurance operations	346,413	264,608	366,287	731,406
Shareholders' operations	141,588	148,586	193,441	212,807
Total assets included in the solvency margin calculation (A)	488,001	413,194	559,728	944,213
Liabilities				
Insurance operations	345,812	265,879	403,883	768,205
Shareholders' operations	4,751	7,727	8,270	10,190
Total liabilities	350,563	273,606	412,153	778,394
Net assets included in the solvency margin calculation				
Insurance operations	601	(1,271)	(37,596)	(36,799)
Shareholders' operations	136,837	140,859	185,171	202,618
Total net assets included in solvency margin calculation (C)	137,438	139,588	147,575	165,819
C = A + B				

Item	31/12/2011G	31/12/2012G	31/12/2013G	30/09/2014G
Solvency Margin				
Solvency Margin as per Premiums method (D)	37,983	37,373	51,683	90,602
Solvency Margin as per Claims method (E)	309	25,585	30,832	13,199
Solvency Margin (F) = the higher of (D) and (E)	37,983	37,373	51,683	90,602
Minimum Capital Requirement (G)	200,000	200,000	200,000	200,000
Required Solvency Margin (H) = higher of (G) and (F)	200,000	200,000	200,000	200,000
Excess (deficiency) of Net Assets Included in Solvency Margin Calculation over Minimum Required Solvency Margin (C) – (H)	(62,562)	(60,412)	(52,425)	(34,181)
Solvency Margin Cover (C) –(H)	69%	70%	74%	83%

Source: Company

Deficit in net assets included in the solvency margin calculation for insurance operations had reached SAR 36.8 million as of 30 September 2014G. This deficit was due to an increase in insurance operations liabilities resulting from the increase in outstanding claims by SAR 173.8 million and the total unearned premium reserves that amounted to SAR 171.8 million due to the increase in gross written premiums.

Surplus in net assets included in the solvency margin calculation for shareholders' operations had reached SAR 203.8 million as of 30 September 2014G. This surplus is mainly due to the acceptance of 100% of the cash flow, term deposits, statutory deposits and insurance receivable accounts due within 90 days for the purposes of calculating the solvency margin as total cash flows, term deposits and statutory deposits had reached SAR 336 million while total insurance receivable accounts within 90 days reached SAR 92 million.

The solvency margin cover (i.e. net assets included in the solvency margin calculation divided by the minimum required solvency margin) was 83% as of 30 September 2014G. This rate is less than 100%, which is the minimum margin specified by the Saudi Arabian Monetary Agency. This means that the net assets included in the solvency margin calculation are not enough to cover the required solvency margin. Accordingly, Wala'a did not comply with the requirements of the Saudi Arabian Monetary Agency with regard to the minimum solvency margin for insurance companies. It is expected that the anticipated company's capital increase will strengthen its solvency margin cover.

The consequences of non-compliance with the requirements of the Saudi Arabian Monetary Agency with regard to the minimum solvency margin for insurance companies are as follows:

- If the actual solvency margin became 75% to 100% of the required solvency margin, the company must work to adjust the ratio to become at least 100% over the next quarter.
- If the actual solvency became 50% to 75% of the required solvency margin, or if the previously mentioned point was not adhered to for two consecutive quarters, the company must provide the agency with the corrective plan that describes the steps that the company will take to improve its financial solvency and the required duration.
- If the actual solvency margin became 25% to 50% of the required solvency margin, or if the previously mentioned point was not adhered to for two consecutive quarters, the Saudi Arabian Monetary Agency will have the right to compel the company to take all or any of the following actions: (1) Increase the Company's Capital or (2) adjust the Pricing, or (3) reduce Costs, (4) Stop accepting any new business, (5) liquidate some assets or (6) any other action the company deems appropriate and approved by the Saudi Arabian Monetary Agency.
- If the actual solvency margin decreased to below 25%, or the company failed to correct its financial postures, the Saudi Arabian Monetary Agency will have the right to hire a consultant to advise the company, or request to withdraw its license.

Assets included in the solvency margin account

58- Table (6-34): Total Assets included in the solvency margin account (Insurance and Shareholders operations)

Item in SAR'000	2011G	2012G	2013G	30 September 2014G
Cash at banks	163,989	141,714	205,748	289,316
Statutory Deposit	20,000	20,000	20,000	20,000
Deposits with banks	40,000	26,476	26,984	27,231
Financial Institution bonds	6,500	6,500	6,500	6,500
Listed shares in Saudi Exchange	25,283	22,467	31,053	46,863
Other shares	2,723	2,723	2,723	2,723
Insurance receivable accounts due in 90 days	67,378	74,800	53,436	92,206
Reinsurer's share of unearned Premium	74,893	44,284	57,440	165,472
Reinsurer's Share of Outstanding Claims	45,359	46,153	105,123	253,927
Deferred Policy Acquisition Cost	13,759	9,721	12,050	19,383
Prepayments and Other Assets	25,802	15,076	34,138	16,517
Property and Equipment	2,315	3,208	4,533	4,075
Total Assets included in the solvency margin account	488,001	413,122	559,728	944,213

Source: Company

According to the provision of Article 65 (1) of the implementing regulation issued by the Saudi Arabian Monetary Agency, the market value of the assets shall not be exceed in the valuation process for the purpose of calculating the solvency margin. If the ratio from the total assets is less than the admissibility factor, the whole asset is admissible.

According to the provision of Article 65 (2) of the implementing regulation issued by the Saudi Arabian Monetary Agency, the upper limit for each category of assets is that which constitute 20% of the total assets value. Amendments are made manually by the Saudi Arabian Monetary Agency to reflect the discounts that do not comply with the limits of orchestrating the assets focus that exceed the limits of the asset-defined category.

Total Liabilities included in solvency margin account

59- Table (6-35): Total Liabilities included in solvency margin account (Insurance and Shareholders operations)

Item in SAR'000	2011G	2012G	2013G	30 September 2014G
Insurance operations liabilities				
Reinsurers' accounts payable	52,451	8,197	18,361	45,095
Unearned reinsurers' commissions	4,861	5,198	5,502	11,847
Unearned premiums	137,803	91,116	132,353	305,146
Outstanding claims	95,090	107,274	181,438	352,959
Accrued expenses and other liabilities	32,706	39,372	41,208	43,973
Due to shareholders' operations	20,809	10,420	19,815	3,085
End of service indemnity	1,491	2,181	3,059	3,954
Due surplus from insurance operations	601	2,121	2,147	2,147
Total liabilities of insurance operations	345,812	265,879	403,883	768,205

Item in SAR'000	2011G	2012G	2013G	30 September 2014G
Shareholders liabilities				
Due to insurance operations	-	-	-	-
Accrued expenses and other liabilities	4,751	7,728	8,270	10,190
Total Shareholders Liabilities	4,751	7,727	8,269	10,190
Total liabilities	350,563	273,606	412,153	778,395

Source: Audited and interim Financial Statements and Company analysis

6.8 Discussion and analysis of financial statements for the period ended on 30 September 2014G

Statement of quarterly insurance operations income

60- Table (6-36): Statement of insurance operations as at 30 September 2014G

Item in SAR'000	30 September 2013G	30 September 2014G
Revenues		
Gross written premium	276,700	547,459
Ceded premiums	(137,146)	(297,294)
Net written premiums	139,554	250,165
Change in unearned premiums	(26,021)	(64,761)
Earned premiums, net	113,533	185,405
Earned reinsurance commission	18,500	13,386
Other underwriting expenses	76	430
Total Revenues	132,109	199,221
Underwriting costs and expenses		
Gross paid claims	81,936	154,735
Reinsurers' share in paid claims	(14,621)	(25,993)
Net claims	67,315	128,742
Changes un outstanding claims	9,586	22,717
Net incurred claims	76,900	151,460
Policy acquisition costs	13,747	23,521
Excess of loss expenses	4,814	7,132
Other expenses	2,800	8,226
Total Underwriting Costs and Expenses	98,262	190,338
Net underwriting income	33,847	8,883
Other operating expenses		
Operating and administrative salaries	(23,087)	(21,809)
General and administrative expenses	(10,559)	(13,629)
Commission income from bank deposits	287	13
Total other operating expenses, net	(33,359)	(35,425)
Net surplus (deficit) from insurance operations	489	(26,542)

Item in SAR'000	30 September 2013G	30 September 2014G
Net surplus (Deficit) from insurance operations transferred to shareholders operations	(440)	26,542
Insurance operations' surplus after shareholders' appropriation	49	-
Retention rate	50.00%	46.00%
Net earned premiums from Gross written premium	9.00%	12.00%
Net loss ratio	68.00%	82.00%
Commission income from total written premiums	5.00%	4.00%
Commission income from ceded premiums	13.00%	5.00%
Net underwriting result from Gross written premiums	12.00%	2.00%
General and administrative expenses from Gross written premiums	4.00%	2.00%
Surplus (deficit) from insurance operations from Gross written premiums	0.20%	(5.00%)

Source: Interim Financial Statements and Company analysis

61- Table (6-37): Gross written premiums

Item	Gross written premiums		Net premiums written	
	30 September 2013G	30 September 2014G	30 September 2013G	30 September 2014G
Engineering	20,358	106,794	1,328	5,285
Properties	116,835	182,388	4,016	5,697
Motor	75,166	176,999	74,163	175,642
Medical	30,415	36,327	30,415	36,327
Others	33,926	44,952	29,631	27,214
Total	276,700	547,459	139,554	250,165

Source: Interim Financial Statements

Gross written premiums rose from SAR 277 million for the nine month period ended on 30 September 2013G to SAR 547 million for the nine month period ended on 30 September 2014G as a result of the increase in premiums written in motor insurance by SAR 102 million in addition to the increase in Engineering insurance premiums by SAR 86 million as well as the increase in the property sector by SAR 66 million.

The rise in net written premiums from SAR 140 million for the nine month period ended on 30 September 2013G to SAR 250 million for the nine month period ended on 30 September 2014G, as well as the increase in net written premiums of the total written premiums of 46% for the period ended on 30 September 2013G to 59% for the period ended on 30 September 2014G is attributed to the increase in gross written premiums for motor sector by SAR 101 thousand, coupled with the fact that the reinsurance contracts for this sector are excess of loss contracts.

62- Table (6-38): Reinsurance premiums ceded

Item	Ceded premiums		(% of total)	
	30 September 2013G	30 September 2014G	30 September 2013G	30 September 2014G
Engineering	19,029	101,508	14%	34%
Properties	112,819	176,691	82%	59%
Motor	1,003	1,357	1%	0%
Medical	-	-	0%	0%
Others	4,295	17,738	3%	6%
Total	137,146	297,294	100%	100%

Source: Interim Financial Statements

The rise in the total ceded premiums from SAR 137 million for the period ended on 30 September 2013G to SAR 297 million for the period ended 30 September 2014G is due to the increase in ceded premiums in the engineering sector at an amount of SAR 82 million, and the rise in the property sector at an amount of SAR 64 million. This increase corresponds with the increase in gross written premiums.

The insignificant increase in ceded premiums for the motor sector despite the increase in gross written premiums for this sector is attributed to the fact that the reinsurance agreement for motor sector is an excess of loss agreement.

Policy underwriting costs

63- Table (6-39): Policy acquisition costs

Item	Policy acquisition costs		(% of total	
	30 September 2013G	30 September 2014G	30 September 2013G	30 September 2014G
Engineering	1,764	1,943	11%	8%
Properties	2,349	4,387	18%	19%
Motor	5,017	11,593	20%	49%
Medical	2,039	2,406	19%	10%
Others	2,578	3,191	32%	14%
Total	13,747	23,520	100%	100%

Source: Interim Financial Statements

The increase in the total insurance policies acquisition costs from SAR 14 million for the period ended on 30 September 2013G to SAR 24 million for the period ended on 30 September 2014G is mainly attributed to the increase in the acquisition costs for the property sector at an amount of SAR 2 million as well as the rise in motor sector by SAR 6.6 million. The increase in total insurance policies' acquisition costs is consistent with the increase in gross written premiums with the exception of the engineering sector as most engineering sector insurance policies were written directly by the company and not through an intermediary.

Reinsurance Commissions

64- Table (6-40): Reinsurance Commissions

Item	Reinsurance Commissions		Percentage (%) from total	
	30 September 2013G	30 September 2014G	30 September 2013G	30 September 2014G
Engineering	3,393	4,614	18%	34%
Properties	6,163	7,842	33%	59%
Motor	147	200	1%	1%
Medical	8,656	-	47%	0%
Others	140	730	1%	5%
Total	18,499	13,386	100%	100%

Source: Interim Financial Statements and Company analysis

The decrease in reinsurance commissions from SAR 18.5 million for the period ended on 30 September 2013G to SAR 13.4 million for the period ended on 30 September 2014G despite the increase in total ceded premiums is attributed to the fact that during the period ended on 30 September 2013G, the company received commissions for the medical sector at an amount of SAR 8.7 million, while the company did not get this commission during the current period. If this income commission is waived, the increase in the engineering and property sector reinsurance commissions by SAR 1.2 million and SAR 1.7 million respectively is consistent with the increase in total ceded premiums.

Claims

65- Table (6-41): Net incurred claims

Insurance sector	30 September 2013G	30 September 2014G	30 September 2013G	30 September 2014G
	SAR'000		SAR'000	
Engineering	-969	2,246	(1%)	1%
Properties	2,245	4,392	3%	3%
Motor	45,460	112,031	59%	74%
Medical	18,841	22,146	25%	15%
Others	11,323	10,645	15%	7%
Total	76,900	151,460	100%	100%
Net loss Ratio				
Engineering			(40%)	65%
Properties			83%	83%
Motor			78%	93%
Medical			61%	61%
Others			59%	53%
Total			68%	82%

Source: Interim Financial Statements and Company analysis

The rise in net incurred claims from SAR 77 million for the nine-month period ended on 30 September 2013G to SAR 151 million for the nine month period ended on 30 September 2014G resulted from the rise in net incurred claims for the motor sector by SAR 67 million. As a result, net loss ratio for motor sector increased from 78 % for the period ended on 30 September 2013G to 93% for the period ended on 30 September 2014G. The rise of the net loss ratio for the motor sector led to an increase in total net loss ratio because the net incurred claims for the motor sector constitute 74% of the total net incurred claims and its net earned premiums constitute 65% of the total earned premiums.

Although the net loss ratio for the property sector has not changed between the period ended on 30 September 2013G and the period ended on 30 September 2014G; yet, the net incurred claims for the property sector rose by SAR 2 million as a result of the increase in net earned premiums during the period ended on 30 September 2014G.

66- Table (6-42): Gross claims paid

Insurance sector	30 September 2013G	30 September 2014G	30 September 2013G	30 September 2014G
	SAR'000		SAR'000	
Engineering	3,301	9,446	4%	6%
Properties	4,450	22,117	5%	14%
Motor	42,336	93,905	52%	61%
Medical	21,324	21,504	26%	14%
Others	10,525	7,762	13%	5%
Total	81,936	154,734	100%	100%

Source: Interim Financial Statements and Company analysis

The rise in gross paid claims for the period ended on 30 September 2014G compared to the period ending on 30 September 2013G by an amount of SAR 73 million is attributed to the increase in gross paid claims for the property sector by SAR 17.7 million as well as the rise in the motor sector at an amount of SAR 51.6 million .

67- Table (6-43): Reinsurers share of gross claims paid

Insurance sector (SAR' 000)	30 September 2013G			30 September 2014G		
	Settled claims	Reinsurer's share	%	Settled claims	Reinsurer's share	%
Engineering	3,301	2,631	80%	9,446	6,418	68%
Properties	4,450	3,826	86%	22,117	19,550	88%
Motor	42,336	1,338	3%	93,905	(1,405)	(1%)
Medical	21,324	4,152	19%	21,504	780	4%
Others	10,525	2,673	25%	7,762	650	8%
Total	81,936	14,620	18%	154,734	25,993	17%

Source: Interim Financial Statements and Company analysis

The increase in the reinsurer's share of gross claims paid from SAR 14.6 million for the period ended on 30 September 2013G to SAR 26 million for the period ended 30 September 2014G was primarily due to the increase in the reinsurer's share of claims paid for the property sector at an amount of SAR 16 million.

Net change in outstanding claims

68- Table (6-44): Net change in outstanding claims

Insurance Sector	30 September 2013G	30 September 2014G	30 September 2013G	30 September 2014G
	SAR'000		SAR'000	
Engineering	(1,639)	(782)	(17%)	(3%)
Properties	1,622	1,824	17%	8%
Motor	4,462	16,722	47%	74%
Medical	1,669	1,421	17%	6%
Others	3,471	3,532	36%	16%
Total	9,585	22,717	100%	100%

Operational and administrative salaries

69- Table (6-45): Operational and administrative salaries

Item in SAR'000	30 September 2013G	30 September 2014G
Operational and administrative salaries	23,087	21,809

Source: Interim Financial Statements

Operating and administrative salary expenses decreased by SAR 1.3 million for the period ended on 30 September 2014G compared with the period ended on 30 September 2013G. The reason for the decline is that during the period ended on 30 September 2014G the company wrote off SAR 2 million from the Employees' benefit allocation that was charged against the year ended on 31 December 2013G. This has resulted in the decrease of the Operating and administrative salary expenses during the period ending on 30 September 2014G compared to the same period in 2013G.

General and administrative expenses

70- Table (6-46): General and administrative expenses

Item in SAR'000	30 September 2013G	30 September 2014G
Rent	2,117	2,407
Depreciation	1,014	1,185
Consulting and professional fees	2,882	4,116
Training	452	259

Item in SAR'000	30 September 2013G	30 September 2014G
Advertising	725	619
Stationery	503	508
Information Systems	126	265
Services	756	784
Doubtful debts	810	1,416
Withholding tax	286	1,046
Others	888	1,023
Total	10,559	13,628

Source: Company

The increase in general and administrative expenses at an amount of SAR 3 million during the period ended on 30 September 2014G compared to the period ending on 30 September 2013G, is primarily due to the increase in consulting and professional fees by SAR 1.2 million for the period ended on 30 September 2014G as a result of the increase in the inspection and supervision fees paid to the Saudi Arabian Monetary Agency due to the increase in gross premiums written during the period ended on 31 September 2014G, as well as the increase in doubtful debt expense at a value of SAR 606 thousand and the rise in the withholding tax expense at an amount of SAR 760 million as a result of an increase in the amounts of ceded premiums during the period ended on 30 September 2014G.

Statement of shareholders income for the period ended on 30 September 2014G

71- Table (6-47): Statement of shareholders income for the period ended on 30 September 2014G

Item in SAR'000	30 September 2013G	30 September 2014G
Revenues		
Net surplus (deficit) transferred from insurance operations	440	(26,542)
Commission income on bank deposits	233	429
Commission income on held-to-maturity investments	141	141
Dividends and realized fair value changes on available-for-sale investments	12,904	42,098
Total Revenues	13,719	16,127
Expenses		
G&A expenses	(1,589)	(2,303)
Net Shareholders Income for the period	12,130	13,825
Other comprehensive expenses:		
Unrealized fair value changes on available for sale investment	16,451	(14,395)
Zakat	(2,250)	(2,437)
Total comprehensive profit/(loss) for the period	26,331	(3,007)
Key performance indicators		
G&A expenses as a percentage of written premiums	1%	0.40%
Total comprehensive profit as a percentage of the written premium	10%	(1%)

Source: Interim Financial Statements and Company analysis

The decrease in total comprehensive profit for the shareholders from SAR 26 million for the period ended on 30 September 2013G to a deficit of SAR 3 million for the period ended on 30 September 2014G is attributed to the increase in the deficit from insurance operations for the period ended on 30 September 2014G at an amount of SAR 27 million in addition to decline in unrealized profits from investments available for sale at an amount of SAR 31 million.

Balance Sheet for the period ended on 30 September 2014G

72- Table (6-48): Balance Sheet for insurance and shareholders operations for the period ended on 31 December 2013G and 30 September 2014G

Item in SAR'000	30 September 2013G	30 September 2014G
Insurance operations assets		
Cash and cash equivalents	119,382	183,703
Premiums and insurance receivables	79,109	129,006
Reinsurers share of unearned premiums	57,440	165,472
Reinsurers share of outstanding claims	105,123	253,927
Deferred policy acquisition costs	12,050	19,383
Prepayments and other assets	14,288	12,640
Accrued commission income	35	-
Property and equipment	4,533	4,076
Total insurance operations assets	391,959	768,205
Shareholders assets		
Cash and cash equivalents	86,366	105,613
Short term deposits	26,984	27,231
Other financial assets	60,942	56,087
Due from insurance operations	19,815	3,085
Prepayments and other assets	-	792
Accrued commission income	939	1,152
Statutory deposit	20,000	20,000
Total shareholders assets	215,046	213,959
Total assets	607,005	982,164
Insurance liabilities		
Unearned premiums	132,353	305,146
Outstanding claims	181,438	352,959
Total liabilities arising from insurance contracts	313,790	658,105
Accrued and other liabilities	29,284	43,973
Reinsurance balances payable	18,361	45,095
Unearned reinsurance commission	5,502	11,847
Due to shareholders' operations	19,815	3,085
End of service compensations	3,059	3,954
Total Insurance operations liabilities	389,812	766,058
Insurance operations surplus	2,147	2,147
Total insurance operations liabilities and Surplus	391,959	768,205
Shareholders liabilities and equity		
Shareholders liabilities		
Accrued and other liabilities	8,269	10,190
Shareholders equity		
Share capital	200,000	200,000
Accumulated losses	(14,482)	(3,094)
Fair value reserve	21,258	6,863
Total shareholders equity	206,777	203,769
Total shareholders' liabilities and equity	215,046	213,959
Total liabilities, insurance operations surplus and shareholders equity	607,005	982,164

Source: Interim Financial Statements

Insurance operations assets constituted 78% of total assets as of 30 September 2014G (compared with 65% on 31 December 2014G) where the cash and cash equivalents amounted to 24% on 30 September 2014G (31 December 2013G: 30%), the reinsurer's share of outstanding claims amounted for 33% as of 30 September 2014G (31 December 2013G: 27%) and the reinsurer's share of unearned premiums amounted for 22% on 30 September 2014G (31 December 2013G: 15%) of insurance operations total assets.

Insurance operations assets rose from SAR 392 million as of 31 December 2013G to SAR 768 million as of 30 September 2014G as a result of the increase in cash and cash equivalents at an amount of SAR 64 million, and the increase in insurance premium receivables by SAR 50 million, the increase in the reinsurer's share of unearned premiums by SAR 108 million, and all of the above mentioned due to the increase in gross written premiums amounting to SAR 271 million for the nine month period ended on 30 September 2014G.

The decrease in the shareholders' operations assets by SAR 1 million as of 30 September 2014G is attributed to the decrease in due to insurance operations by SAR 17 million as well as the decrease in other financial assets by SAR 4.9 million. This was corresponded by the increase in cash and cash equivalents at an amount of SAR 19 million.

The rise in insurance operations' liabilities by SAR 376 million as of 30 September 2014G, compared with 31 December 2013G is attributed to the rise in reinsurers' receivables by SAR 26.7 million, which is due to the rise in the assigned insurance premiums, the rise in gross unearned premiums by SAR 172.8 million resulting from the rise in written premiums (SAR 271 million for the nine-month period ended on 30 September 2014G), the rise in outstanding claims by SAR 171.5 million. In the other hand, the due to shareholders' operations decreased by SAR 16.7 million.

The increase in the total shareholders' liabilities as of 30 September 2014G is the result of the increase in accrued and other liabilities by SAR 1.9 million.

Statement of cash flows for the period ended on 30 September 2014G

73- Table (6-49): Statement of cash flows (insurance and shareholders operations) for the period ended on 30 September 2014G)

Item in SAR'000	30 September 2013G	30 September 2014G
Insurance operations		
Cash (used in)/from operations	9,248	55,237
Cash used in investment activities	(2,141)	(727)
Cash from (used in) financing activities	10,542	9,812
Cash beginning of the year	81,786	119,382
Cash end of the year	99,436	183,703
Shareholders operations		
Cash (used in)/from operations	(13,962)	(13,423)
Cash from (used in) investing activities	(982)	32,670
Cash beginning of the year	60,000	86,366
Cash end of the year	45,056	105,613

Source: Interim Financial Statements

The rise in cash from insurance operations as of 30 September 2014G is attributed mainly to the rise in net unearned premiums by SAR 38 million as a result of the rise in gross written premiums during this period, as well as the rise in net outstanding claims by SAR 13 million.

The rise in cash from investing activities for the shareholders' operations as of 30 September 2014G is attributed to the rise of investments profits by SAR 29 million. This was met by a decline in movement of other financial assets at an amount SAR 8 million as of 30 September 2014G.

7. Capitalization and Indebtedness

The Company's share capital is two hundred million Saudi Riyals (SAR 200,000,000) comprising twenty million (20,000,000) shares with an equal nominal value of SAR 10 per share. The Founding Shareholders subscribed for (60%) of the Company's capital, while the public subscribed for (40%) of the offered shares for public subscriptions on 13/07/2007G. The Company has not given any privileges or preferential rights for the Founding Shareholders or other shareholders.

Directors confirm that the Company's capital is not covered by any option right, and the Company has not given any privileges or preferential rights for the Founding Shareholders or other shareholders.

The Company has also received recently approval from SAMA by letter No. 351000081751, dated 23/06/1435H (23/04/2014G) on the Company's capital increase in the amount of (200,000,000) two hundred million Saudi Riyals through Rights Issue. Upon completion of the Offering, the Company's capital will become (SAR 400,000,000) four hundred million Saudi Riyals divided into (40,000,000) forty million ordinary shares with a nominal value of ten (SAR 10) per share.

The Board of Directors' decision was issued on 01/07/1435H (corresponding to 30/04/2014G) recommending to increase the Company's capital to meet the solvency margin. The Extraordinary General Assembly held on Monday 08/07/1436H (27/04/2015G) approved the recommendation of the Board of Directors to increase the capital as mentioned. The increase will be limited to eligible shareholders who are registered at the end of trading session on the day of the EGM (Eligibility Date).

The following table demonstrates the capitalization and indebtedness of the Company, which has been extracted from it's the audited financial statements for the years ended on 31 December 2011G, 2012G, 2013G and the interim financial statements for the period ended on 30 September 2014G. The following table should be read along with the financial statements and the notes accompanying them, which are all included in section 20 of this Prospectus entitled "Auditors Report".

74- Figure (7-1): Capitalization & Indebtedness during the years 2011G-2013G and period ended on 30 September 2014G

Capitalization & Indebtedness (SAR'000)	Financial Year ended on 31/12/2011G	Financial Year ended on 31/12/2012G	Financial Year ended on 31/12/2013G	Financial Period ended on 30/9/2014G
Insurance Operations Liabilities:				
Reinsurers Payable	52,451	8,198	18,361	45,095
Unearned Premiums	137,803	91,116	132,353	305,146
Unearned Reinsurance Commission	4,861	5,198	5,502	11,847
Outstanding Claims	95,090	107,274	181,438	352,959
Due Payments, Accrued Expenses and Other Liabilities	45,490	39,839	52,158	50,143
Accumulated Surplus	601	2,121	2,147	2,147
Total Insurance Operations Liabilities and insurance operations surplus	336,296	253,746	391,959	768,205
Shareholders' Liabilities				
Account Payable	229	1,748	1,327	2,714
Due Zakat and Payable Tax	3,912	5,215	6,023	6,430
Due to Insurance Operations	-	-	-	-
Other liabilities	610	764	919	1,045
Total Shareholders' Liabilities	4,751	7,727	8,269	10,190
Shareholders' Equity				
Share capital	200,000	200,000	200,000	200,000

Capitalization & Indebtedness (SAR' 000)	Financial Year ended on 31/12/2011G	Financial Year ended on 31/12/2012G	Financial Year ended on 31/12/2013G	Financial Period ended on 30/9/2014G
Accumulated Losses	(52,138)	(36,128)	(14,482)	(3,094)
Provision for investment evaluation	6,624	11,265	21,258	6,863
Total Shareholders' Equity	154,486	175,137	206,777	203,769
Total Shareholders' Liabilities and Equity	159,236	182,864	215,046	213,959
Total Insurance Operations' Liabilities and Shareholders' Liabilities and Equity	495,532	436,611	607,005	982,164

Source: Audited financial statements for years 2011G, 2012G and 2013G and interim financial statements for the period ended on 30 September 2014G

The Company confirms that there is no issued or existing instrument, declared and not yet issued instrument, or any term loans which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus.

The Company confirms that it has no loans or debts, including any overdrafts facilities, liabilities under acceptance, acceptance credit, or lease purchase obligations, which is covered or not covered by either a personal guarantee or a mortgage as at the date of this Prospectus

The Company declares that:

- It does not have any mortgage, rights or incumbents on the Company's properties as at the date of this Prospectus.
- It has no commitments or potential indebtedness or securities as at the date of this Prospectus.
- The Company's capital is not under option as of the date of this Prospectus.
- The Company has not amended its capital since it was incepted in 2007G with a capital of 200,000,000 (share capital at inception).
- The Company will have sufficient working capital to cover the 12 months following the date of this Prospectus.
- There have been no commissions, discounts or intermediation fees, or any non-cash considerations awarded by the Company during the previous three years directly preceding the date of filing the admission and listing application until the period covered by the auditor until of this Prospectus.

8. 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 approved by the constituent assembly. Article 44 of the Company's By-Laws describes the Company's dividend policy as below:

- Set aside the determined Zakat and Income Tax.
- 20% of the net profits shall be set aside to form a statutory reserve. The Ordinary General Assembly may suspend this allocation of the net profits when the said reserve amounts to the total paid-up capital. The Ordinary General Assembly may set aside an additional percentage of the annual net profits to form an additional reserve to be allocated for a specific purpose or purposes to be decided by the Ordinary General Assembly.
- Subsequently, an initial payment shall be made to the Shareholders constituting not less than five percent. (5%) of the paid-up capital. Thereafter, the remaining balance shall be distributed among the Shareholders as dividends or may be transferred to retained earnings.
- Subject to a resolution of the Board, periodical/interim dividends may be distributed to the Shareholders which shall be deducted from the annual profits specified under paragraph 6 of article 44 of the Company By-Laws in accordance with the rules and regulations issued by the competent authorities.

Without prejudice to paragraph 5 of article 43 of the Company's By-Laws which stipulates that 10% of the surplus shall be directly distributed to the insured persons or be deducted from their premiums for the following year and the remaining 90% be carried-over to the Shareholders' Income Account. No dividends have been distributed by the Company so far because of the Company's need to cover its accumulated losses during the two years ended on 31 December 2009G and 2010G.

The offered shares are eligible for their share in the profits announced by the Company as of the date of issuance and for the following financial years.

9. Use of Proceeds

9.1 Net Proceeds

The total Offering Proceeds of the Rights Issue is estimated at SAR 240,000,000, of which SAR 10,000,000 will be paid to cover the Offering expenses. Such expenses include the fees of the Financial Advisor, Lead Manager, Legal Adviser, Auditor and Media and Public Relations consultant, in addition to the expenses of the Underwriter, Receiving Agents, marketing, printing, distribution and other expenses related to offering.

Net Offering Proceeds will amount to SAR 230,000,000 which will mainly be used to meet the financial solvency requirements. Shareholders will not receive any proceeds arising from the Offering.

The company will also submit a quarterly report on the details of the use of proceeds resulting from the Rights Issue. The Company will also announce the developments of the use of proceeds to the public.

It must be noted that the Company's business plan, which has been developed by the its management and approved by the Saudi Arabian Monetary Agency is based upon the assumption of a Rights Issue at an amount of SAR 200,000,000. The Offering expenses in the company's business plan were also estimated at SAR 3,500,000.

9.2 Use of Offering Proceeds

All insurance companies operating in the Kingdom of Saudi Arabia practice their business according to the Insurance Companies Control Law and its implementing regulation and the subsequent amendments issued by the Saudi Arabian Monetary Agency from time to time. The above referenced law stipulates that insurance companies shall maintain a Minimum Solvency Margin that is no less than the following three amounts:

- Minimum Capital Requirements.
- Solvency Margin as per the premiums method.
- Solvency Margin as per the claims method.

Insurance companies need to maintain its Net Admissible Assets at a minimum of the above mentioned solvency margin. This requirement is translated into the need for maintaining a minimum Solvency Margin Cover of (100%) (Net Admissible Assets divided by the Minimum Margin of Solvency).

Based upon that, the net offering proceeds amounting to SAR 230,000,000 will be mainly used in the following:

- Fulfilling the solvency margin requirements.
- Setting aside an amount of SAR 20,000,000 as a statutory deposit after increasing the paid up capital (as stated for in Article 58 of the Implementing Regulation of the Cooperative Insurance Companies Control Law).
- Improving the credit rating granted to the company by AM Best rating agency.
- Increasing the company's investments in accordance with the provisions and terms of the implementing regulation.

75- Table (9-1): Use of Offering Proceeds

Item	Amount (SAR)
Total Offering Proceeds	240,000,000
Estimated Offering Expenses	10,000,000
Net Offering Proceeds	230,000,000
Statutory Deposit (10% of the increase in paid-up capital)	20,000,000
Cash and cash equivalent Investment	105,000,000
Long-Term Investments in bonds and other fixed-income investments	73,500,000
Investment in companies' shares listed in the Saudi Exchange	31,500,000

Source: Company

The Company's investments are divided, according to its investment policy, adopted by the Board of Directors and approved by the Saudi Arabian Monetary Agency, relating to investment of shareholders' funds, into two parts:

- Short-Term Investments: These investments are classified by the Company as low risk investments (deposits, money market funds, fixed income securities and corporate bonds).
- Long-Term Investments: They are, in turn, divided into three sections:
 - Fixed-Income Securities: They are classified by the Company as medium risk investments (sovereign fixed income securities, Sukuk, preferred stocks and fixed income funds).
 - Stocks and Equity Funds: They are classified by the Company as medium risk investments.
 - Other Investments: They are classified by the Company as high risk investments (investing in companies on a private placement basis, real estate funds and strategic investments).

The Company's investments are distributed among the sections mentioned above based on proportions set forth by the Company's investment policy. This policy also sets the geographical distribution of these investments and gives guidelines for investment in each section.

It should be noted that the Company will not use more than 25% of the Offering proceeds for general investment purposes as precluded by paragraph A.4 of Article (30) of the Listing Rules, because the investments that the Company intends to make with the offering proceeds fall within the purposes of the Company as defined in Article (3) of its by-law.

The table below shows the expected contribution of net offering proceeds in maintaining the solvency margin cover during the upcoming years:

76 – Table (9-2): Contribution of Offering Net Proceeds in Financial Solvency Margin cover

Item (SAR' 000)	2014G	2015G	2016G	2017G	2018G
Minimum Capital Requirement	200,000	200,000	200,000	200,000	200,000
Solvency Margin – Premiums method	96,768	100,034	122,934	148,208	178,177
Solvency Margin – Claims method	11,218	45,083	59,424	77,302	97,180
Minimum Solvency Margin	200,000	200,000	200,000	200,000	200,000
Net Admissible Assets	99,084	344,624	388,319	438,943	498,933
Solvency Margin Cover (%)	49.50%	172.30%	194.20%	219.50%	249.50%

Source: Company

*The information contained in the above table for the year 2014G is preliminary and has been prepared based on interim financial statements for the period ended on 31 December 2014G.

** The information contained in the above table for years 2015G to 2018G is estimates. Actual results may differ from these expectations.

10. Experts Statement

The Financial Advisor, Legal Advisor and Due Care Advisor have given their written consent to the publication of their statements in the form included in this Prospectus and they have not withdrawn such a consent until the date of this Prospectus. None of the above advisers or their employees or any of their relatives has any shareholding or interest of any kind in the Company.

11. Declarations of Directors, Senior Management

The Directors declare that all of the financial information presented in the Prospectus is extracted without material change from the Company's audited financial statements for the periods ended 31/12/2011G, 31/12/2012G, 31/12/2013G and the interim financial statement for the period ended 30/9/2014G, and that the financial statements have been prepared and audited in conformity with the standards issued by the International Financial Reporting Standards (IFRS), not in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). They further declare that the financial information contained in the prospective financial statements have been provided in a manner that aligns with the methods used in preparing the Company's annual financial statements.

As of the date of this Prospectus, the Directors, Senior executives and Board Secretary declare the following:

- They have not declared bankruptcy at any time and they were not subjected to bankruptcy proceedings.
- They have not been employed in a managerial or supervisory capacity by an insolvent company in the five years preceding the date of this Prospectus.
- With the exception of what was mentioned in page (v) of this Prospectus, they do not themselves, nor do any relatives or affiliates, have any direct or indirect interest in the Company's shares or debt instruments until the publication date of this Prospectus.
- With the exception of what was disclosed in Section 12 "Legal Information" of this Prospectus, neither they nor any of their relatives or affiliates have any material interest in any contract or arrangement that is effective or planned to be concluded relating to the Company's business upon submitting the Prospectus.
- All contracts had been disclosed in the Prospectus (including the terms and conditions of these contracts) which may affect the decision of the subscribers to subscribe to Rights Issue shares.
- There has been no interruption in the Company's business that may affect or have materially affected its financial conditions within the last 12 months.
- 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 in relation to the publication or issuance of any securities.
- There have been no adverse material changes in Company's financial or commercial conditions during the last 3 years preceding directly the date of listing and admission application as well as the period contained in the auditor's report until approval of this Prospectus.
- The Company does not grant any cash loan of any kind or collaterals to loan with a third party 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 or tendency to make any fundamental change in the nature of the activity of the Company.
- The Company has sufficient financial resources to cover the working capital requirements during the 12 months period following the date of this Prospectus.
- The appropriateness, efficiency and effectiveness of Internal Control and Accounting Systems and the Company's Information Technology systems.
- The Company strictly complies with Article 69 & Article 70 of the Companies Law and Article 18 of Corporate Governance Regulations.
- The Board members should not undertake any actions that would compete with the Company's business or participate in any of these actions that would compete with the Company's business.
- The Company has not issued any debt instrument nor does it have any term loan as at the date of this Prospectus and neither the Company's nor its affiliates' assets are under option.
- As of the date of this Prospectus, the Company has no affiliate or sister company inside or outside the Kingdom of Saudi Arabia.
- The Company has currently no program to allocate shares to its employees as at the date of this Prospectus.
- There are no other arrangements that allow Company employees to participate in its capital.

The Company's Board members also acknowledge that, according to the Company's by-law and other founding documents, there is no:

- Authority that enables a member of the Board of Directors, a Managing Director or a Chief Executive Officer to vote on any contract or suggestion wherein he has a substantial interest in.
- Authority that enables a member of the Board of Directors, a Managing Director or a Chief Executive Officer to vote on decisions relating to their fees and remuneration.
- Authority that enables a member of the Board of Directors, senior executives or chief executive officer to borrow sums from Wala'a.

12. Legal Information

12.1 Introduction

This section includes the legal information of Wala'a.

12.2 The Company

Wala'a is a public Saudi joint stock company formed pursuant to the laws of the Kingdom, in accordance with Council of Ministers Resolution No. 223 dated 16/09/1427H (corresponding to 08/10/2006G) and Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G).. the Company is engaged in the business of cooperative insurance pursuant to the principles of cooperative insurance under the supervision of SAMA, the Principal agency responsible for the application and implementation of the Insurance Law and Implementing Regulations.

The Share Capital of Wala'a is currently two hundred million Saudi Riyals (SAR 200,000,000) divided into twenty million (20,000,000) shares. At inception, the Founding Shareholders had subscribed to twelve million (12,000,000) shares representing sixty (60%) percent of its share capital, while the public had subscribed to the remaining eight million (8,000,000) shares, representing forty (40%) percent of the share capital through an initial public offering which took place in 2007G.

On 23/06/1435H (23/04/2014G) SAMA granted its approval of the Company's capital increase of SAR 200,000,000 by way of Rights Issue (the "Offering"). Upon completion of subscription to the new shares, the Company's capital will amount to SAR 400,000,000 divided into 40,000,000 shares of a nominal value of SAR 10 each.

On 01/07/1435H (30/04/2014G) the Board of Directors issued a resolution recommending increase of the Company's capital in the way referred to hereinabove. Similarly, on 02/04/1436H (22/01/2015G) the Board of Directors issued a resolution recommending a premium of SAR 40,000,000 so that the value of Rights Issue shares will amount to SAR 240,000,000 subject to obtaining all required approvals.

On Monday 08/07/1436H (27/04/2015G) the Extra-Ordinary General Meeting of the Company approved the increase of capital in the way mentioned hereinabove.

Head Office:

Saudi United Cooperative Insurance Company
Rabia and Nassar Building
King Abdullah Road,
P. O. Box 31616
Al Khobar 31952
Tel: +966138652200
Fax: +966138652255

12.3 Major Shareholders

77- Table (12-1): Major Shareholders

Name	Nationality	No. of shares	Shareholding %	Nominal Value	Nominal Value (SAR)
IGI Underwriting	Jordan	2,100,000	10.5 %	SAR 10	21,000,000
Public	-	17,900,000	89.5 %	SAR 10	179,000,000

Source: Company

It should be noted that the actual and statutory ownership of the shares owned by IGI Underwriting belongs to the company itself (IGI Underwriting).

The Company shares were listed in Tadawul on 17/07/2007G. Accordingly, the lock-up period for disposal of shares has lapsed few years ago, and there are now no restrictions on the founding shareholders. Based on this fact, the Founding Shareholders may now dispose of their shares after obtaining SAMA and CMA approvals.

12.4 Board of Directors and Committees

12.4.1 Board of Directors:

The Company's Board of Directors consists of 10 members as follows:

78- Table (12-2): Board Members (Directors)

Name	Post	Representing	Nationality	Age	Capacity	Shareholding						Date of Appointment
						Direct	%	Indirect	%	Total	%	
Sulaiman Abdullah Hamad Al-Qadi	Chairman	-	Saudi	77	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Abdullah Mohammed Abdullah Al-Othman	Member	-	Saudi	42	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Walid Mohammed Abdullah Al-Jaafari	Member	-	Saudi	53	Independent	240,000	1.2%	None	None	240,000	1.2%	6/5/2007G
Jameel Abdullah Abdul Aziz Al Molhem	Member	-	Saudi	43	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Hassan Isam Mohammad Al-Kabbani	Member	-	Saudi	47	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Dr. Solaiman Abdul Aziz Saleh Al-Twajiri	Member	-	Saudi	49	Independent	1,000	0.005%	None	None	1,000	0.005%	6/5/2007G
Abdul Aziz Saleh Abdullah Al-Rebdi	Member	-	Saudi	52	Independent	1,000	0.005%	None	None	1,000	0.005%	24/1/2009G
Khalid Abdul Rahman Saleh Al-Rajhi	Member	Abdul Rahman Saleh Al-Rajhi and Partners Co.	Saudi	42	Non-Executive	1,000	0.005%	200	0.001%	1,200	0.006%	27/06/2010G
Walid Suhail Abdul Mihsen Al-Shoaibi	Member	Suhail Abdul Mihsen Al-Shoaibi and Sons Holding Co.	Saudi	52	Non-Executive	None	None	10,000	0.05%	10,000	0.05%	8/3/2011G
Wasif Saleem Abdul Rahman Al-Jabsheh	Member	IGI Underwriting Co.	Jordanian	70	Non-Executive	None	None	875,071	4.375%	875,071	4.375%	5/5/2013G

Source: The Company

- Directors are classified as independent and non-independent. Non-independent members are reclassified into Executive and Non-Executive.
- 1000 of the shares of each represented company have been allocated to secure the membership of their representatives.
- Director Khalid Abdul Rahman Saleh Al-Rajhi holds 20% of Abdul Rahman Bin Saleh Al Rajhi & Partners Co. which in turn holds 0.005% of Wala'a shares. Therefore, the indirect ownership of Khalid Abdul Rahman Saleh Al Rajhi is 0.001% of the total shares of the Company. Director Khalid Abdul Rahman Saleh Al Rajhi holds the position of Chief Executive Officer of Abdul Rahman Bin Saleh Al Rajhi and Partners Company.
- Director Walid Suhail Abdul Mihsen Al Shoaibi holds 20% of the shares of Suhail Abdulmohsen Al

Shoaibi and Sons Holding Co. which in turn holds 0.25% of Wala'a shares. Therefore, the indirect ownership of Director Walid Suhail Abdul Mihsen Al Shoaibi amounts to 0.05% of the total shares of the Company. Director Walid Suhail Abdul Mihsen Al Shoaibi holds the position of Managing Director of Suhail Abdulmohsen Al Shoaibi and Sons Holding.

- Director Wasif Saleem Abdul Rahman Al-Jabsheh holds 0.000055% of the shares of IGI Underwriting Co., which in turn holds 10.5% of Wala'a shares. Director Wasif Saleem Abdul Rahman Al-Jabsheh also holds 41.67% of IGI Holding Company, which in turn holds 99.99% of IGI Underwriting Co.. Therefore the indirect ownership of Director Wasif Saleem Abdul Rahman Al-Jabsheh amounts to about 4.375% of the total shares of the Company. Director Wasif Saleem Abdul Rahman Al-Jabsheh acts as the Chief Executive Officer of IGI Underwriting Co.

12.4.2 Board Committees:

The Board has 4 committees:

Executive Committee: The Executive Committee consists of 4 members. More details about those members are available under Section 5 ("Organizational Structure") of this Prospectus.

Audit Committee: This committee consists presently of 3 members. More details about those members are available under Section 5 ("Organizational Structure") of this Prospectus

Remuneration and Nomination Committee: This committee consists of 4 members. More details about those members are available under Section 5 ("Organizational Structure") of this Prospectus

Investment Committee: This committee consists of 4 members. More details about those members are available under Section 5 ("Organizational Structure") of this Prospectus

12.5 Company's shareholding in other companies

Wala'a does not have any subsidiaries or associates established within or outside the Kingdom of Saudi Arabia. However, Wala'a is a shareholder in two companies conducting insurance-related activities in the Kingdom of Saudi Arabia. These are:

12.5.1 Next Care;

Next Care is a Saudi mixed limited liability company with a share capital of SAR 5,000,000, established in Al Khobar under Commercial Registration number 2051039287. Next Care is involved in the settlement of insurance claims. Presently, Wala'a shareholding in Next Care is as follows:

79 - Table (12-3): Wala'a shareholding in Next Care

Shares	Nominal Value	Total Nominal Value (SR)	Percentage
80,000	SAR 10	800,000	16%

Source: Company

Wala'a does not enjoy any special or preferential rights in Next Care, nor is it involved in the management or activities or operations of Next Care.

In addition to the shareholding in Next care, Wala'a concluded a service agreement with this company on 01/02/2011G as detailed under section 12-7 ("Legal Information – Material Agreements") of this Prospectus.

12.5.2 Najm:

Najm is a Saudi closed joint stock company with a share capital of SAR 50,000,080, established in Riyadh under commercial registration number 1010229751. Najm is involved in damage assessment and claims settlement. Presently, Wala'a shareholding in Najm is as follows:

80- Table (12-4): Wala'a shareholding in Najm

Shares	Nominal Value	Total Nominal Value (SR)	Percentage
192,308	SAR 10	1,923,380	3.85%

Source: Company

Wala'a does not enjoy any special or preferential rights in Najm, nor is it involved in the management or activities or operations of Najm, except Mr. Johnson Varughese, the CEO of the Company who is a member of the Najm's Audit Committee.

In addition to the shareholding in Najm, Wala'a concluded a service agreement with the company on 01/01/2014G as detailed under section 12-7 ("Legal Information – Material Agreements") of this Prospectus.

12.6 Licenses and Permits

Wala'a has secured a number of licenses and permits from the competent Saudi authorities to enable it to carry out its business within the Kingdom of Saudi Arabia

12.6.1 Major Licenses:

The following is a summary of the major licenses issued in favor of Wala'a Company:

81- Table (12-5): Major Licenses

Purpose	Date	Issuing Authority	No.	License/Authorization
Royal decree	M/ 23	Royal Diwan	18/9/1927H (Corresponding to 10/10/2006G)	Authorization granted for the establishment of Wala'a
Ministerial Resolution	M/ 23	Council of Ministers	16/9/1927H (Corresponding to 8/10/2006G)	Authorization granted for the establishment of Wala'a
Commercial registration	2051034980	Ministry of Commerce and Industry	19/6/1928H (Corresponding to 5/7/2007G) Ends on 19/6/1937H (Corresponding to 27/3/2016G)	Registration of Wala'a in the commercial register
Authorization	TMN/16/20087	SAMA	28/6/1929H (Corresponding to 3/7/2008G)	Authorization to conduct insurance and reinsurance business in the Kingdom
Foreign Investment License	12031026535	General Investment Authority	Issuance: 26/1/1926H (Corresponding to 7/3/2005G) Ending on 24/1/1937H (Corresponding to 6/11/2015G)	The license was given to conduct insurance business

Source: Company

Wala'a has also obtained the following certificates:

Zakat & Income tax Department Certificate (No. 109663) was issued to allow the Company to finalize all its transactions and receive payment of any final entitlements owing from any contracts. The certificate is valid for one year of the issuance date. The certificate is valid until 11/07/1436H (30/04/2015G). As per DZIT procedures, this certificate will be renewed upon application by the Company.

- GOSI Certificate No. 17478198 in respect of Saudi and expatriate staff. The certificates evidences the settlement of outstanding dues to GOSI. This certificate is valid until 27/06/1436H (17/04/2015G).
- Eastern Province Chamber of Commerce and Industry membership certificate (No. 81888). This certificate is valid until the end of 2015G.
- Credit rating certificate from AM Best (No. 90704 – Financial Strength Rating of B++) Stable outlook and Issuer Credit Rating of bbb)

12.6.2 Branch Commercial Registration Certificates

A description of the most relevant particulars of the commercial registration certificate of the branches of Wala'a is set out below:

82- Table (12-6): Branches Commercial Registration Certificates

No.	Certificate No.	Date of Issuance	Expiry Date	Location	Branch Manager
1	1010274780	18/10/1430H (08/10/2009G)	18/10/1438H (12/07/2017G)	Riyadh	Mohammed Salim saeed Al Nahdi
2	4030194597	19/11/1430H (07/11/2009G)	19/11/1438H (11/08/2017G)	Jeddah	Abdullah Hamdan Hassan Al Zarqi
3	4030246662	02/07/1434H (12/05/2013G)	02/07/1439H (19/03/2018G)	Jeddah	Wahib Ahmed Qassim Al Tayeb
4	4031074068	27/01/1434H (10/01/2013G)	26/02/1437H (9/12/2015G)	Makkah	Saleh Mohammed Ahmed
5	2050074746	17/03/1432H (21/02/2011G)	17/03/1438H (16/12/2016G)	Dammam	Ashraf Ahmed Al Amrad
6	2050099588	17/06/1435H (18/04/ 2014G)	17/06/1438H (16/03/2017G)	Dammam	Ayman Hmoud Abdulrahim
7	2051045964	09/07/1432H (11/06/2011G)	09/07/1438H (06/04/2017G)	AlKhobar	Mohammed Hussein Ali Al hammad
8	2051050976	26/01/1434H (10/12/2012G)	25/01/1437H (08/11/2015G)	AlKhobar	Saleh Ziab saleh Al Enzi
9	2051053645	15/08/1434H (24/06/ 2013G)	15/08/1437H (23/05/2016G)	AlKhobar	Mohammed Abdullah Al Najjar
10	2252049135	28/11/1433H (14/10/2012G)	28/11/1436H (12/09/2015G)	Allhsa	Fouad Abdulaziz Abdullah
11	2250057356	17/06/1435H (18/04/2014G)	17/06/1438H (16/03/2017G)	Allhsa	Hani Radi Hassan
12	2055018058	27/02/1434H (11/12/2012G)	26/01/1437H (09/11/2015G)	Jubail	Sabri Hablan Ali Al Magabi
13	2053022695	17/03/1432H (21/02/2011G)	17/03/1440H (26/11/2018G)	Qatif	Mohammed Adel Hussein Al Awami
14	1131049274	15/08/1434H (24/06/2013G)	15/08/1437H (23/05/2016G)	Buraidah	Mousa Nidaa Al Enzi
15	4032044193	17/06/1435H (18/04/2014G)	17/06/1438H (16/03/2017G)	Taif	Alaa Masoud Freij Al Rifai

Source: Company

12.7 Material Agreements

Wala'a has, in the ordinary course of its business, entered into a range of material arrangements in relation to the following aspects:

- Investment Management Agreements;
- Agency Agreements;
- Service agreements;
- Insurance Products; and
- Re-Insurance Arrangements.

12.7.1 Investment Management Agreements:

Wala'a has entered into investment management account agreements with HSBC Saudi Arabia ("HSBC") and Saudi Fransi Capital ("SFC"). The purpose of these agreements is to govern the terms pursuant to which the investment portfolio of Wala'a would be managed in accordance with the rules and regulations issued by the CMA.

HSBC Saudi Arabia Ltd.

On 01/10/2009G, Wala'a Company entered into an investment management account agreement with HSBC Saudi Arabia ("HSBC") under which HSBC will open and maintain an investment account in the name of Wala'a. The account will include a portfolio of equities, bonds, Sukuk and/or cash products or commodities ("Assets"). The obligations of HSBC under this agreement can be summarized as follows:

- Hold all cash and assets received in favor of Wala'a.
- Manage the portfolio in the Saudi, Gulf, MENA and International markets.
- Manage assets in the investment account in a manner consistent with the investment objectives.
- Fees and Payment terms:
 - HSBC shall charge a fee for its discretionary management equivalent to 1.25% per annum of the net asset value. The fee will be calculated and accrued daily.
 - All local equity transaction will be subject to the trading rate of 0.12% of the transaction value and the Investment Manager shall offer a refund equivalent to 50% of its share of the charged commission.

Management of assets will be continued by HSBC until terminated by notice in writing by either party. The agreement is governed by the laws and regulations of the Kingdom of Saudi Arabia.

Saudi Fransi Capital

On 19/03/2014G, Wala'a entered into an investment management account agreement with Saudi Fransi Capital ("SFC") under which SFC will open and maintain an investment account in the name of Wala'a. The account will include a portfolio of equities, bonds, Sukuk and/or capital cash products or commodities ("Assets"). The obligations of SFC under this agreement can be summarized as follows:

- Hold all cash and assets received in favor of Wala'a.
- Manage the portfolio in the Saudi, Gulf, MENA and international markets.
- Manage assets in the investment account in a manner consistent with the investment objectives.
- SFC shall offer Wala'a, in addition to discretionary services as an investment manager, the following on-discretionary investment funds management and structured investment products:
 1. Saudi investment funds.
 2. Non Saudi investment funds (on private placement basis).
 3. Non Saudi structured investments products (on private placement basis).

Fees and Payment terms:

Payment for services may be conducted in any of the following ways: direct debit to investment account or internal transfer of funds or conversion of currencies or special commission arrangements.

All local equity transaction are subject to the following:

- The total commission charged to customer shall be 0.12% of the trade value.
- Tadawul fee shall be 15% the total commission.
- SFC's net commission shall be 85% of the total commission. Minimum commission charged to customer shall be SAR 12 per transaction.

Management of assets will be continued by SFC until terminated by notice in writing by either party. The agreement is governed by the rules and regulations of the Kingdom of Saudi Arabia

12.7.2 Agency Agreements:

Wala'a Company entered into an agency agreement with AlMayazeen Insurance Services. The purpose of this agreement is to market and extend the activities of Wala'a and promote its sales of insurance policies to companies and individuals in the Kingdom of Saudi Arabia.

AlMayazeen Insurance Services

On 16/02/2014G, Wala'a entered into an agency agreement with AlMayazeen Insurance Services ("AlMayazeen") under which AlMayazeen shall market and extend the activities of Wala'a and promote its sales of insurance policies to companies and individuals in the Kingdom of Saudi Arabia. The following describe the AlMayazeen's obligations under this agreement:

- Marketing and sale of commercial and individual insurance policies and premiums collection for the benefit of Wala'a through AlMayazeen duly licensed branches and outlets all over the Kingdom.

Fees and Payment terms:

- Wala'a shall pay AlMayazeen SAR 400,000 as a one-time payment toward expenses and overheads required.
- AlMayazeen is owed an administrative fee of a maximum amount of SAR 25 per every claim, which it handles and inspects, and another SAR 25 for each obligatory insurance policy over and above the agreed premium in accordance with SAMA regulations..

The contract is valid through 15/02/2015G and is renewable automatically for relevant periods unless one of the parties notifies the other in writing of its desire not to renew ninety days before the expiration of the original or renewed period. The agreement is governed by the rules and regulations of the Kingdom of Saudi Arabia

12.7.3 Service Agreements:

Wala'a has entered into several agreements pursuant to which it procures the services of third parties in the areas of claims evaluation, identity verification, support/consultancy, administration, accounting, ratings, etc.

Manar Sigma Financial Consulting:

On 03/03/2014G, Wala'a entered into an actuary services agreement with Manar Sigma Financial Advisory ("Manar") under which Manar shall provide support and consultancy services relating to the development of cooperative (individual and group) life insurance product range and the product filing and approval process with SAMA.

The obligations of Manar company under this agreement can be summarised as follows:

- Existing Product Range: which will include review of documentation, drafting profit testing, and submission of final documentation to Wala'a for onward submission to SAMA.
- New Product Range: review of product descriptions, product development workshop, drafting profit testing results, and submission of final documentation to Wala'a for onward submission to SAMA..

The obligations of Wala'a Company under this agreement can be summarised as follows:

- Taking all administrative decisions and performance of all administration related activities.
- Appointment of a qualified member of the Company to oversee the services.
- Evaluating the efficiency and results of services.
- Accepting and assuming the responsibility for the results related to the services.
- Establishing and overseeing internal control procedures, including but not limited to, control of on-going activities.

Fees and terms of payment

Wala'a Company shall pay Manar a fee of SAR 340,000 divided as follows:

- SAR 85,000 upon the signature of the Agreement;
- SAR 85,000 upon delivering the FCR report and the executive summary report for the Board;
- SAR 85,000 upon delivering the medical pricing report as per SAMA's underwriting standards circular;
- SAR 85,000 upon delivering the motor pricing report as per SAMA's underwriting standards circular.

The agreement is governed by the laws and regulations of the Kingdom of Saudi Arabia.

Najm for Insurance Services

On 01/01/2014G, Wala'a entered into a Technical Services Agreement with Najm for Insurance Services ("Najm") under which Najm shall provide Wala'a with services to verify and evaluate damages arising on account of motor vehicle accidents and consequent damages, if any, to private or public property.

The obligations of Najm under this agreement are summarized as follows:

- Determining responsibility of the parties in relation to motor accidents, private and public property.
- Evaluating the damages in relation to public and private property.
- Transferring data between Wala'a and the Motor Department.

Wala'a Company's obligations under this agreement are summarized as follows:

- Wala'a shall take all measures to be connected electronically to Najm.
- Wala'a shall compensate Najm for any expenses that Najm incurs in relation to third parties within the scope of services that Najm provides to Wala'a.
- Wala'a shall not enter into any other agreement for the same services provided by Najm.
- Najm has the right to stop providing any services in case of late payment by Wala'a.

Fees & Terms of Payment:

- SAR 280 per report for examining the accident scene.
- SAR 150 per damage report, payable pro rata to the allocated responsibility.
- In case of transferring data to the Motor Department: SAR 3 per insurance policy for transferring data and SAR 2 per inquiry about vehicles, number of accidents, violations and driving license,

This agreement is automatically renewable on annual basis unless either party informs the other in writing of his intention not to renew Sixty (60) days prior to expiry of the original or the renewed period. This Agreement is subject to the laws of the Kingdom of Saudi Arabia.

Elm for Information Security

On 29/09/2012G Wala'a Company entered into a "Yakeen" Direct Services Agreement with Elm Information Security ("Elm") under which Elm shall provide Wala'a with electronic services "Yakeen" to verify the name of Wala'a customers as per the data of the Ministry of Interior.

The obligations of Elm Company under this Agreement are summarized as follows:

- In case of any interruption of the service, Elm shall do its best to provide the service on continuous basis.
- In the event of any interruption or suspension of service, Elm Company should provide the service in form of batch data.
- Wala'a Company obligations under this Agreement are summarized as follows:
- Wala'a Company shall be liable for any error or misuse of the services by its employees.

Fees & Payment Terms:

One time annual service fee of SAR 180,000, in addition to the following fees for each inquiry:

- SAR 2 per inquiry about expats date by Iqama number, or boarder number;
- SAR 2 per inquiry about license by civil register number;
- SAR 2 per inquiry about vehicle's information;
- SAR 2.6 per inquiry about expats by Iqama expiry date; and
- SAR 2.5 per inquiry about license by Iqama number

This agreement is renewable on yearly basis by mutual agreement between the two parties. The agreement is subject to the laws of the Kingdom of Saudi Arabia

Sharia Review Bureau

On 01/01/2012G, Wala'a entered into a consultancy services agreement with Sharia Review Bureau under which the latter shall ensure compliance with the principles of Islamic Sharia. Details of the responsibilities of Sharia Review Bureau under the agreement are outlined below:

- Review the objectives and activities of Wala'a from an Islamic perspective.
- Review the insurance Wala'a methods and products.
- Develop an annual report concluding its reviews.

Fees and payment terms

Wala'a shall pay to the Sharia Review Bureau the amount of SAR 150,000 per year against its services. This agreement is renewable on annual basis with the approval of both parties. The agreement is subject to the laws of the Kingdom of Saudi Arabia

Saudi Next Care

On 01/02/2011G, Wala'a entered into a service agreement with Saudi Next Care Company under which Wala'a appointed Saudi Next Care to provide administration services on a non-exclusive basis.

The responsibilities of Saudi Next Care under this agreement are as follows:

- Determine and process claims of health care services rendered by service providers.
- Assist in the creation of administrative forms including beneficiary guides and network claim forms and reimbursement forms.
- Provide training to Wala'a staff.
- Enter into network agreements with providers and maintain service standards.

Fees and payment terms

Wala'a shall pay Saudi Next Care administrative fees equal to 6% of total premiums in addition to any other fees, expenses and disbursements with a discount. This agreement is valid until 01/02/2017G and is subject to the laws of the Kingdom of Saudi Arabia

AM Best Europe

On 19/02/2013G, Wala'a entered into a service agreement with AM Best Europe ("AMBERS") under which AMBERS will provide an initial rating service and a continuing rating service to Wala'a through a rating report. The company has the right to appeal.

The responsibilities of AMBERS under this agreement are as follows:

- AMBERS shall perform according to the terms of the agreement and while using reasonable care and skill while reserving the right upon reasonable notice to refuse to provide service or modify or withdrawal at any time.

Fees and payment terms

Wala'a shall pay fees in the amount of GBP 17,800 (equals SAR 112,070) for the period from 06/03/2014G to 31/12/2014G. All subsequent yearly fees are payable on 1st of January. The annual fee is GBP 21,600 (equals SAR 135,955).

This agreement is renewable on a yearly basis with the amicable agreement of both parties and is subject to the laws of the Kingdom of Saudi Arabia

12.7.4 Insurance products:

Wala'a offers its customers a variety of insurance policies such as Workmen's Compensation, Motor Third Party, Public and Products Liability, Property All Risks, etc. Certain policies are approved in final form by SAMA while others are approved in temporary form by SAMA.

General and customary exclusions apply depending on the nature of the insurance coverage. Standard exclusions include but are not limited to losses caused by terrorist activity, war or civil insurrection and nuclear radiation. A majority of policies cover only losses occurring within the Kingdom of Saudi Arabia.

The Company has received the final approval of SAMA of the products listed in the below table. The consequences incumbent upon such approval will commit the company to insured parties as well as to SAMA through the commitment to provide any documents or amend any such products and documents in case of any change or updating of the documents pertinent to such products by SAMA.

Such products are as follows:

83 – Table (12-7): Products in respect of which the Company has obtained the final approval of SAMA

No.	Product	Description	Approval date
1	Mandatory Motor Insurance	Insurance under this policy covers liability of cars to third parties. Under this cover, the company shall compensate the third party in cash upon occurrence of any damage covered by the policy resulting from the use or parking of the car within the geographical borders of the Kingdom of Saudi Arabia against all amounts which the insured or driver becomes legally liable to pay in connection with the following: (1) bodily injuries to others while the insured is in or out of the car and (2) damages to others' properties while the insured is in the car.	19/05/1435H (20/03/2014G)
2	Medical Insurance policy	Under this policy, the company covers the costs for provision of medical services to the insured persons (beneficiaries) based on the classes provided by the medical service providers network appointed by the company and on the terms and conditions of the policy.	03/05/1435H (04/03/2014G)
3	Comprehensive Motor Insurance (Private/ Commercial)	Under this policy, the company compensates the insured for the loss or damages to any car described in the schedule and fixed accessories as a direct result of the risks referred to in the policy. The company shall compensate the third party in cash upon occurrence of any damage covered by the policy resulting from the use or parking of the car within the geographical borders of the Kingdom of Saudi Arabia against all amounts which the insured or driver becomes legally liable to pay thereof in connection with the following: (1) bodily injuries to others while the insured is in or out of the car and (2) damages to others' property while the insured is in the car.	19/05/1435H (20/03/2014G)
4	Medical faults Insurance Policy	Insurance under this policy covers the medical errors and settlement of all defense related expenses with the company's approval, provided the total amounts payable for the damages (including the expenses and costs of claimant) does not exceed the compensation specified in the policy endorsement. However, the company will not be liable to pay any claim, judgment or arbitration resolution, defense expenses, or assuming or continue to assume the defense in the context of any case or legal procedures after depletion of maximum decided compensation limit.	12/08/1431H (23/07/010)
5	Funds Insurance Policy	Under this policy, the company will cover the cash held in a closed safe or vault and to compensate the insured for any losses or damages to the safe or vault as a consequence of theft or perpetrated theft.	07/04/1433H (29/02/2012G)
6	Personal Accidents Insurance Policy	Insurance under this policy covers death, total permanent disability and total partial disability compensations.	24/01/1431H (09/01/2010G)
7	Group Accident Insurance Policy	Insurance under this policy covers death, total permanent disability and total partial disability compensations.	24/01/1431H (09/01/2010G)
8	Glass Insurance policy	If any glass is broken during the insurance term, and if such a break extends through the whole thickness of the glass as a result of an accident or non-excluded reason, the Company will replace the broken glass with a similar quality or at its discretion. Value of broken glass to the insured will be paid in line with the rates prevailing as of the date of breakage deducted by glass saving value. The company has also to pay the reasonable costs of any sheets that have to be temporarily fixed till replacement of broken glass.	22/11/1431H (29/10/2010G)
9	Labor Compensation Policy	Insurance under this cover is to cover the liability of the Insured, in line with the policy terms, for payment of compensations and/or expenses covered under the GOSI rules, or which would have been accepted by GOSI should the insured be committed to provision and collection of related claims.	20/01/1430H (16/01/2009G)

No.	Product	Description	Approval date
10	All-Risk Installation Insurance Policy	Insurance under this policy covers the loss or damage occurring to projects which imply the installation / fixing of equipment and machinery ranging between one machine and a full plant. It also covers the damage to third party properties or third party bodily injury. The policy may be issued in the joint names of the contractor and principal. This policy enables the contractor and principal to abide by the contracts insurance requirements.	15/05/1434H (26/03/2013G)
11	All – Risk Contractors Insurance Policy	The policy is specifically designed to cover the loss or damage to civil engineering projects ranging between a small villa to construction of bridges and high rises (excluding special exceptions as stated in the policy).	15/05/1434H (26/03/2013G)
12	Cold Store Stock Damage Insurance Policy	Insurance under this policy covers goods held in cold stores.	15/05/1434H (26/03/2013G)
13	Machinery All-Risk Insurance Policy	All operating machines insurance policy provides protection against loss and unexpected and surprise damages incurred by the equipment and machines while in operation. The policy covers all heavy fixed and mobile equipment and machinery against all risks unless excluded under the policy.	15/05/1434H (26/03/2013G)
14	Contractor Equipment / Machinery Insurance Policy	Under this policy the company provides protection to contractors equipment and tools of contractors against loss and unexpected and surprise damages incurred by the equipment and machines while in operation.	15/05/1434H (26/03/2013G)
15	Equipment and Machinery Breakdown Insurance Policy	Under this policy the company provides an effective insurance cover of equipment and machinery, mechanical equipment in operation, or which are not in operation, or during maintenance operations. The policy covers unexpected and surprise physical losses or damages which is incurred by insured materials which require repair or replacement.	15/05/1434H (26/03/2013G)
16	Equipment Profits Loss Insurance Policy	This policy provides compensation for the actual losses of total profits due to loss of business as a result of any accidents covered by the equipment and machinery insurance policy.	15/05/1434H (26/03/2013G)
17	Theft Insurance Policy	Under this policy, the company provides protection against robbery associated with force entry or exit of the building.	13/11/1433H (28/09/2012G)

Source: The Company

The Company obtained a temporary approval from SAMA of the products listed in the below table. The approvals are valid for six months from the date of receipt thereof. Under such temporary approvals, the company will be liable to insured parties and to SAMA for the renewal thereof as well as to respond to all inquiries or questions received from SAMA regarding any of such products.

These products are as follows:

84- Table (12-8): Products in which respect the Company received SAMA temporary approval

No.	Product Name	Product description	Date	Expiry date
1	Public Liability Insurance	Taking into account the terms, conditions, exceptions and limitation of liability stipulated in the Policy endorsement , the Company shall indemnify the insured against all amounts which the insured becomes legally liable to pay, as reimbursement payable under the regulations, in relation to (1) death or physical injury resulted from an accident caused to any person not covered by a contract or a work-related training concluded with the insured when such death or injury occurs outside the territories (of KSA) during the work or if that accident affects a member of the insured family (2) damages caused to the properties owned, leased , rented , purchased by installments or other properties that are under care , custody or control of the insured except the buildings occupied temporarily by the insured for business purposes or the other properties temporary in possession of the insured for business purposes or a property of an employee or a visitor. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval	19/01/1436H (12/11/2014G)	18/07/1436H (07/05/2015G)
2	Comprehensive Property Insurance Policy	Policy aims to cover the insured properties or part thereof against exposure to destruction or damage by mistake. The properties may include Buildings (including fixtures and their accessories, which belong to the owner), machinery, equipment, systems, tools and inventory (products, materials & spare parts), furniture, office equipment, fixed objects. The Company obtained a temporary approval of this Policy from SAMA for an additional period of 6 months starting from the date of the temporary approval	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
3	House Insurance policy	The Insurance under this Policy shall cover the insured against any loss or damage caused to the insured building/s. Such buildings include outbuildings, garages, fences, walls internal fuel tanks, swimming pools, water pipes, gas pipes, ground sewerage pipes, electricity cables connected with the main source of electricity supply. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
4	Fire, Sundry Perils and robbery insurance policy	The insurance under this Policy covers any material damages to the properties if caused by fire, thunderbolt or fire following explosion. The properties may include Buildings (including fixtures and their accessories, which belong to the owner), machinery, equipment, systems, tools and inventory (products, materials & spare parts), furniture, office equipment, fixed objects. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
5	Goods in transit Insurance policy	The Insurance under this Policy covers any major loss or damage, which affects the goods and caused by collision, fire or overturn. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)

No.	Product Name	Product description	Date	Expiry date
6	Electronic Equipment Insurance policy	The insurance under this Policy covers the electronic equipment. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
7	Fidelity Insurance Policy	This type of insurance covers financial loss to which the insured may be exposed as a result of any act of fraud or dishonesty committed by any employee within the context of his work with the insured. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
8	Passenger Care Insurance policy*	This Policy covers incidental expenses incurred outside the Kingdom of Saudi Arabia, subject to maximum limit, as stipulated in the schedule of benefits attached with the Policy. This include medical treatment, emergency surgery necessary reasonable additional accommodation costs, travel expenses and emergency medical revisit .The Company obtained a temporary approval of this Policy from SAMA valid for period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	28/12/1435H (22/10/2014G)
9	Professional Liability Insurance Policy	This type of insurance enables professionals to protect themselves against legal liability they may encounter, which may vary according to the line of their profession (civil engineers, architectural engineers etc.) . The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
10	Hull Insurance Policy	Under this Policy, the Company covers the hull of the vessels against the risks associated with navigation. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
11	Maritime Shipping Insurance Policy (Open Contract)	The Insurance under this Policy intends to cover the goods transported by sea or air. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
12	Maritime Shipping Insurance Policy (One shipment)	The Insurance under this Policy intends to cover the goods transported by sea or air. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
13	Comprehensive Public Liability Insurance Policy	The Company provides under this Policy, full coverage designed to protect the insured against legal liability towards third party which arise from the activities of their business. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
14	Consequential Loss Insurance Policy	Under this Policy the Company covers the loss of net profit resulting from discontinuation of business. This insurance includes coverage of the increase in business cost following the loss. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)

No.	Product Name	Product description	Date	Expiry date
15	Profit Loss insurance Policy	Company covers loss of "Gross Profits" succeeding material damages caused by fire ,thunderbolt, storms, hurricane, earthquakes , volcanic eruption, flood, etc. This Policy applies only whenever an acceptable claim is submitted under the insurance Policy against material damage of the properties. The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
16	Computer Equipment Insurance policy	The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval.	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
17	Plant Insurance Policy	The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval..	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)
18	Valuables Insurance policy	The Company obtained a temporary approval of this Policy from SAMA for additional period of 6 months starting from the date of the temporary approval	30/05/1435H (31/03/2014G)	18/07/1436H (07/05/2015G)

Source: The Company

* The temporary period for this product has expired and the Company is in the process of renewal thereof.

12.7.5 Re-Insurance Agreements:

Wala'a has entered into various reinsurance arrangements in relation to the products Wala'a offers to its customers. Most of such re-insurance agreements are made on annual basis and are renewable by the parties either through a brokerage company or directly with the Re-insurance Company. These agreements are subject to the laws of the Kingdom of Saudi Arabia.

The following are the major of such agreements:

85- Table (12-9): Major Re-Insurance Agreements

Document Name	Reinsurance Company / Insurance Broker	Subject / Products	Expiry Date
Property and Engineering Quota Share and Surplus Reinsurance Treaty	Marsh Saudi Arabia	Reinsurance of all business underwritten by the reinsured and allocated to their Non Marine account	30 Jun 2015G
Motor and Miscellaneous Excess of Loss Treaty	Chedid Re-insurance (Chedid Re)	Motor business whether underwritten direct or accepted as coinsurance or facultative reinsurance	30 Jun 2015G
Marine Excess of Loss Reinsurance Treaty	Chedid Re-insurance (Chedid Re)	The Reinsurer shall indemnify the Reinsured for all business classified as Hull and Cargo and allocated by them to their Marine Account	30 Jun 2015G
Non – Marine Excess of Loss reinsurance	Aon Saudi Arabia	All Property and Engineering business, including Onshore Energy, written or renewed and classified as such by the Reinsured	30 Jun 2015G
Medical Excess of Loss Treaty	Nasco Karaolgan	All medical activities	31 Dec 2015G

Source: The Company

In addition to these reinsurance agreements, Wala'a entered into business interruption reinsurance agreement & hold harmless agreement with some reinsurance companies under which Wala'a is relieved from all liability towards certain parties, as follows:

86 - Table (12-10): Business Interruption Reinsurance Agreement

Date	Feb 2014G
The Parties	Saudi Arabia Mining Company ("Maaden") & Alcoa Saudi Smelting Inversions S. L. ("Alcoa") (collectively "insured")
Nature of the agreement	Business Interruption Reinsurance Agreement
subject	Access to on risk reinsurance for losses arising from the Smelter Incident and securing ongoing business interruption insurance.
basic terms	The Insured will hold Wala'a harmless for any amounts in excess of Wala'a net retention of 0.25% and to the extent that Wala'a does not have a reinsurance indemnity from the reinsurers for such amounts, provided that the lack of reinsurance indemnity is not due to the actions, inactions or failure of Wala'a.
Term and renewal	01 Jul 2014G to 01 Jul 2015G or until commencement of full commercial operations , whichever occurs last

Source: The Company

87 – Table (12-11): Hold Harmless Agreement

Date	27 Jun 2013G
Parties	Saudi Chevron Philips Company Wala'a
Nature of agreement	Hold Harmless Agreement
Subject	Release of liability / hold harmless agreement
Basic terms	Wala'a issued insurance policy No E0021400007 in favor of SCP and Jubail Chevron Phillips Company and Saudi Polymers Company who have chosen without any involvement from Wala'a reinsurers and in consideration thereof released Wala'a from all liability and obligations towards SCP under such policy.
Term and renewal	1 July 2013G – 1 July 2014G Renewed to 1 July 2015G

Source: The Company

12.8 Insurance policies of Wala'a:

The company has insurance arrangements in place covering various types of risks related to its business activities. Each of these arrangements is renewable upon expiry as follows:

88 - Table (12-12): Walla Insurance Policies

No.	Policy	Company	Covered item	Cover term	Premium (SAR)
1	Health Care insurance policy for Wala'a staff	Wala'a	Health Care	25/11/2014G To 24/11/2015G	1,498,518
2	Personal Accident insurance policy for Wala'a staff	Wala'a	Personal Accident	20/12/2014G To 20/12/2015G	164,789
3	Comprehensive Private Motor insurance Policy	Wala'a	Motor vehicle	6/9/2014G To 05/09/2015G	9,065

Source: The Company

12.9 Real-Estate

12.9.1 Title Deeds:

- Wala'a does not have any land or property registered in its name

12.9.2 Lease agreements:

Wala'a entered into, in its capacity as lessee, lease agreements for the purpose of leasing of offices in certain cities in the Kingdom and residential apartments for its workers.

The terms of lease agreements range between 1 and 5 years although most of lease agreements are for a term of 1 year renewable automatically. Lease amounts range between SAR 16,000 and 578,416 per year. Most of such lease contracts do not provide for assignment or sublease without the prior written approval of the lessor as follows:

89- Table (12-13): Lease Agreements

No.	Lessor	Date	Type/Location	Term	Basic terms	Annual rental
1	Jabarti & Hmeidan	01/01/1429H (10/01/2008G)	Office - Makkah	From 01/01/1429H (10/01/2008G) To 30/12/1429H (29/12/2008G) renewable automatically	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 20,000
2	Saudi Real-Estate	05/08/1430H (28/07/2009G)	Office – Riyadh	From 05/09/1430H (26/08/2009G) To (30/12/1430H) (18/12/2009G) renewable automatically	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 177,450
3	Hussein Mohammed AlRabeh	27/2/1432H (2/2/2011G)	Office – AlKhobar	From 28/05/1432H (02/05/2011G) To 11/06/1433H (03/05/2012G) renewable automatically	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 28,000
4	Bandar Al Saleh Real-Estate	17/3/1432H (21/2/2011G)	Residential Apartments – AlKhobar	From 17/03/1432H (21/02/2011G) To 07/04/1433H (01/03/2012G) renewable automatically	N/A	SAR 24,000
5	United Commercial Company	3/11/1432H (1/1/2011G)	Office – Jeddah	From 26/04/1432H (01/04/2011G) To 30/05/1435H (01/04/2014G) renewable automatically	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 578,416
6	Mohammed Hassan Albahrani	28/7/1432H (18/6/2012G)	Office – Ihsa	From 11/08/1433H (01/07/2012G) To 13/09/1436H (30/06/2015G)	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 30,000
7	Hussein Mohammed AlRabeh	6/7/1435H (6/5/2014G)	Guest house AlKhobar	From 01/07/1435H (01/05/2014G) To 12/07/1436H (31/04/2015G) renewable automatically	N/A	SAR 24,000

No.	Lessor	Date	Type/Location	Term	Basic terms	Annual rental
8	Rabiaa & Nassar Co.	11/5/1428H (28/5/2007G)	Office – AlKhobar	From 05/03/1435H (01/07/2014G) To 13/09/1436H (30/06/2015G) renewable automatically	Lessor may not assign or sublease the property	SAR 465,000
9	Nour Abdullah Mohammed	1/4/1434H (12/2/2013G)	Four Sale Offices - Jeddah	From 01/04/1434H (12/02/2013G) To 01/04/1439H (20/12/2017G)	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 195,000
10	Mahdi Abdullah Mohammed	1/12/1434H (6/1/2013G)	Office – Dammam	From 01/12/1434H (06/10/2013G) To 01/12/1435H (26/09/2014G) renewable automatically	Lessor may not assign or sublease the property	SAR 30,000
11	Khalid Ahmed Al Aboudi	22/1/1435H (25/11/2013G)	Office -Buraidah	From 05/04/1435H (06/02/2014G) To 05/04/1436H (26/01/2015G) renewable automatically	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 24,000
12	Saudi Real-Estate	01/01/1431H (18/12/2009G)	Office – Riyadh	From 01/01/1431H (18/12/2009G) To 01/01/1432H (08/12/2010G) renewable automatically	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 177,450
13	Faisal Sultan Al Dossary	11/02/1435H (15/12/2013G)	Office – Ihssa	From 11/02/1435H (15/12/2013G) To 15/03/1438H (15/12/2016G)	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 28,000
14	Adel Ahmed Al Jeraifi	01/05/1434H (13/03/2013G)	Sales Office - Qatif	From 01/05/1434H (13/03/2013G) To 29/04/1439H (17/01/2018G)	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 60,000
15	Abdullatif & Hamad Al Fowzan Co.	27/05/1434H (08/04/2013G)	Claim Centre – AlKhobar	From 28/06/1434H (09/05/2013G) To 30/07/1437H (08/05/2016G) renewable automatically	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 250,000
16	Rabiaa & Nassar Co.	17/01/143 (14/1/2009G)	Office – AlKhobar	From 03/09/1435H (01/07/2014G) To 13/09/1436H (30/06/2015G) renewable automatically	Lessor may not assign or sublease the property	SAR 150,000
17	Rabiaa & Nassar Co.	20/11/1435H (15/9/2014G)	Office – AlKhobar	From 08/01/1436H (01/11/2014G) To 17/01/1437H (31/10/2015G) renewable automatically	Lessor may not assign or sublease the property	SAR 210,000

No.	Lessor	Date	Type/Location	Term	Basic terms	Annual rental
18	Alaa Al Fatani	28/10/1433H (15/9/2012G)	Three offices – AlKhobar	From 16/12/1433H (01/11/2012G) To 10/01/1439H (31/10/2017G)	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 478,375
19	Hassan Mubarak Est.	01/01/1434H (15/11/2012G)	Office – Jubail	From 29/09/1433H (17/08/2012G) To 30/10/1436H (16/08/2015G) renewable automatically	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 200,000
20	Mohammed Ali Hassan Al-Zubi	26/12/1435H (21/10/2014G)	Office – Medina	From 01/01/1436H (25/10/2014G) To 30/12/1436H (14/10/2015G)	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 47,000
21	Heirs of Huda Anaam Hateel	1/2/1436H (24/11/2014G)	Office – Najran	From 01/02/1436H (24/11/2014G) To 01/02/1439H (22/10/2017G)	Lessee may not assign or sublease without obtaining Lessor's prior written consent.	SAR 24,000
22	Mohammed Ibrahim Al Whaibi	14/10/1435H (10/8/2014G)	Office – AlKhobar	3 Month grace period from takeover of office and for three years From 14/10/1435H To (10/08/2014G)	Lessor may not assign or sublease the property	SAR 60,000

Source: The Company

The Company confirms that it does not lease any plot of land as of the date of issuance of this Prospectus.


12.10 Intellectual Property

The company protected its trademark by registering it before the Saudi Trademark Office at Ministry of Commerce and Industry, and a certificate of registration was issued by the Ministry of Commerce and Industry dated 20/03/1430H (17/03/2009G). The competitive position of the company depends, interlaid, on its ability to protect and use its intangible assets.

Therefore, the company's inability to protect such assets, or in certain cases, the need to take a legal action to protect the same, may adversely affect the company's trademarks, and it may cause the carrying out of the company's business to be more costly and consequently would adversely affect the results of company's operations.

The following table includes the most relevant particulars of the trademark certificate obtained by the company:

90- Table (12-14): Intellectual Property of the Company

Trademark	Country of Registration	Status	Category	Issuing Authority
	KSA	Valid until 22/7/1439H (8/4/2018G)	36	Ministry of Commerce and Industry

12.11 Related Parties transactions:

Wala'a has issued, directly or through brokers, insurance policies in favor of some of its shareholders or Board members. These policies have most recently been approved by the general assembly of shareholders on 01/07/1435H (corresponding to 30/04/2014G).

Below is a table listing the insurance policies currently in place with shareholders or board members as of the date of this Prospectus:

91- Table (12-15): Related Party Transactions

Related Party	Capacity	Policy	Annual Premium	Unpaid premium
Suliman Abdullah Al Kadi	Chairman of Wala'a Board	Motor Vehicle Cover	SAR 57,090	SAR 10,456
Shuaibi Group	Walid Suhail Al-Shuaibi, Director of Wala'a, is a shareholder of Al-Shuaibi Group	Mixed	SAR 525,000	SAR 44,353
Al Dawaa Medical Services Company	Walid Hamad Al Jaafari, Director of Wala'a, is a shareholder of Al Dawaa Medical Services Company	Mixed	SAR 1,200,000	SAR 19,455
Essam Qabani Group	Hassan Essam Qabani, director of Wala'a, is a shareholder of Essam Qabani Group	Mixed	SAR 4,460,000	SAR 357,335
Amiantit	Dr. Sulaiman Abdulaziz Al-Tuwaijri, Director of Wala'a, is a shareholder of Amiantit.	Mixed	SAR 261,000	-
Total	N/A	N/A	SAR 6,503,090	SAR 431,899

Source: The Company

Apart from the above mentioned policies and the agreements entered into with Saudi Next Care and Najm companies (refer to section 12-7 "Legal Information-Material Agreements"), the company does not have any transaction with any related parties as of the date of this Prospectus. Except as included in this prospectus, the members of the board of directors acknowledge that the company does not presently have any intention to conclude any contract or arrangement with any related parties as of the date of this prospectus.

12.12 Disputes, litigation and claims:

With the exception of day-to-day claims for paying insurance premiums (as more fully described below), the Company's management has confirmed that Wala'a is not a party to any judicial, arbitral or administrative procedures or that may individually or collectively entail a material negative impact on its financial situation and results of operation. Furthermore, based on the documentation and information received by us, it does not appear that Wala'a has faced any sanctions or compliance issues with SAMA as of the date of this Prospectus.

12.12.1 Claims:

Wala'a faces claims by its insurance clients in the ordinary course of business. The outstanding claims of SAR 500,000 or more are listed below as of 31/12/2014G:

The largest claim presently faced by the Company is the one relating to Nour Carton Packaging Company ("Nour"). This claim concerns the property all-risk policy issued by Wala'a favouring Nour and which covers insurance of the fire erupted in Nour factory in the Second Industrial City in Dammam, Street no 47.

The policy covers the period from 01/01/2014G to 31/12/2014G for a total insurance amount of SAR 181,899,932 with a deductible amount of SAR 10,000 per each claim for any damage.

The McLaren's Global Claims Services, a loss adjustor, has assessed the incident and issued on 30/11/2014G the reserve advice. The advice provides a recommendation provisional reserve for property damages and business interruption and explains the basis adopted for calculating the provisional reserve for each head of policy cover. The recommended overall provisional net reserve by the loss adjustor was SAR 130,000,000.

As a result, the Company provisioned fully based on the loss adjustor's Reserve Advice. It should be noted that the claim is still under investigation by the Civil Defence and forensics' Experts (all of whom have yet to

issue their reports). The admissibility of the claim has yet to be established. As such, the ultimate exposure to Wala'a has yet to be ascertained. It is understood that Wala'a's reinsurance coverage is 97.24% in relation to this particular claim.

92- Table (12-16): Unsettled major claims as of 31/12/2014G

Insurance Category	Insured	Amount of unsettled claims (SAR)	Date of Claim	Re-Insurers' share	Company share
Contracting	Hanhuwa Engineering	7,500,000	4/9/2011G	99.00%	1.00%
	Shibh AlJazira Contracting Company	1,500,000	14/12/2014G	96.00%	4.00%
	Yuksel Saudia	500,000	23/12/2014G	96.00%	4.00%
	Sahara Maaden Petrochemical Company	7,500,000	10/3/2013G	99.90%	0.10%
	Bin Sammar Contracting Company	3,000,000	27/04/2013G	96.00%	4.00%
	Hanhuwa Engineering	1,500,000	1/11/2012G	99.00%	1.00%
	Metals Services Company	510,000	15/06/2013G	96.00%	4.00%
Fire Insurance	Arabian Baenhail Food Services Company	5,000,000	20/02/2014G	93.50%	6.50%
	Saudi Electricity Company (Eastern & Western Provinces)	2,185,000	2/8/2013G	99.00%	1.00%
	Saudi Electricity Company (Eastern & Western Provinces)	10,760,000	8/5/2013G	99.00%	1.00%
	United Food Industries Company	3,740,000	23/11/2013G	98.50%	1.50%
	Anaa Steel Co.	1,000,000	19/11/2013G	90.20%	9.80%
	Saudi Electricity Company (Central & Southern)	12,000,000	26/12/2013G	99.75%	0.25%
	Saudi Electricity Company (Central & Southern)	1,060,000	15/12/2014G	94.12%	5.88%
	Sara Company	800,000	26/10/2013G	96.66%	3.34%
	Noor carton Manufacturing and Packing	130,000,000	10/9/2014G	97.24%	2.76%
	Gulf Rose Cooperative Contracting Company	1,750,000	7/7/2014G	94.50%	5.50%
	Halawani Bros Company	2,126,664	10/9/2014G	97.20%	2.80%
	Halawani Bros Company	1,188,300	31/12/2014G	97.20%	2.80%
	Halawani Bros Company	4,275,000	11/12/2014G	97.20%	2.80%
	AKK Electric Trading Company	800,000	27/09/2014G	69.20%	30.80%
	Saudi Electricity Company (Central & Southern)	845,000	4/5/2014G	99.76%	0.24%
Maritime Insurance	AlMaha Gulf Company Limited	850,000	13/04/2014G	0.00%	100.00%
	Al Basami Transportation Company	575,000	11/9/2014G	0.00%	100.00%
	Al Basami Transportation Company	1,607,900	18/12/2014G	37.80%	62.20%
	Advanced Triad Terpene Services Company Ltd.	640,000	9/2/2014G	0.00%	100.00%
Engineering Insurance	Noor carton Manufacturing and Packing	865,000	1/8/2013G	94.00%	6.00%
	Rezaya Group Company	650,000	26/12/2013G	70.00%	30.00%
	SK Engineering and Construction Branch	1,980,000	4/5/2014G	62.60%	37.40%
	Al Arabie Heavy Equipment Lease Company	500,000	29/04/2014G	80.00%	20.00%
Liability Insurance	Al Mazal Maritime Services Company	770,000	4/10/2010G	99.00%	1.00%

Insurance Category	Insured	Amount of unsettled claims (SAR)	Date of Claim	Re-Insurers' share	Company share
Motor Vehicle Insurance	AlMayazeen Insurance Agencies Company	600,000	Multiple Dates	0.00%	100.00%
	Jazeera Equipment Company Ltd.	850,000	Multiple Dates	0.00%	100.00%
Total	-	209,427,864	-	182,137,938	27,289,926

Source: The Company

12.13 Shareholders rights

Based on Article 108 of the Companies Regulation, the shareholder is confirmed to have all the rights related to the share, and in particular the right to receive a portion of the profits determined to be distributed, the right to receive a portion of the company's assets upon liquidation, the right to attend the assemblies of shareholders and participate in its deliberations and vote on decisions, the right to dispose of shares, the right to request access to the company's books and documents, and to monitor the work of the Board of Directors and bring a claim of liability against the members of the Board and appeal the invalidity of the decisions of the shareholders' assemblies. All this shall be conducted according to the conditions and restrictions contained in the Company's By-laws or in the Companies Regulations.

The By-Laws of the Company provided that each shareholder whatever the number of his shares shall have the right to attend the constituent General Meeting either personally or by proxy on behalf of other subscribers. Each shareholder holding at least twenty shares shall have the right to attend the General Meeting. Dividends distribution will be in line with the rules set by the Board of Directors. Policyholders' share of profits will be paid from the net surplus either by distributing 10% to the insured directly or by reducing their premiums for the following year. The remaining 90% will be transferred to shareholders income account.

Dividends to shareholders will be distributed as follows:

1. Appropriation of required zakat and income tax
2. A sum of 20% of the net profits will be allocated for constituting of the statutory reserve. The Ordinary General Assembly may stop transfer to this reserve once it equals the paid up share capital.
3. The Ordinary General Assembly may, based on the Board's recommendation, allocate a percentage of the annual net profits to constitute an additional reserve for certain purpose/purposes as decided by the General Assembly.
4. Out of the remainder, an initial payment of not less than 5% of the paid up share capital will be paid to shareholders.
5. The remainder will be distributed to shareholders as a share of the profits or transferred to retained earnings.
6. The Board of Directors may resolve to distribute transitional dividends which will be debited to the annual dividends stated in 4 above in line with the applicable rules issued by the competent authorities.

The company will advise the Capital Market Authority without delay of any resolutions or recommendations to distribute dividends. Resolved distributions will paid to shareholders in the place and at the times set by the Board of Directors in line with the instructions of the Ministry of Commerce and Industry subject to prior written approval of SAMA.

Should the company be liquidated, shareholders right to insurance operations surplus and constituted reserves must be preserved as provided for in Articles 43 and 44 of the Company's By-Laws.

13. Summary of the Company's By-laws

The Company's by-laws include the following items 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 companies, company liquidation and appointment of directors. Following is a summary of the Company's By-Laws:

Name of Company

Saudi United Cooperative Insurance Company (Wala'a)

Objectives of the Company

The objective of the Company is to engage in cooperative insurance operations and all related activities in accordance with provisions of the Law on the Supervision of Cooperative Insurance Companies, its Implementing Regulations and the rules and regulations in force in the Kingdom. Such operations and activities include reinsurance, agencies, representations, correspondence and brokerage. 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 acquire or have interest or participate in any way with the institutions conducting similar activities or financial activities and which help the Company to achieve its objectives, or to merge with or acquire the same. The Company will practice such activities inside or outside the Kingdom of Saudi Arabia.

The Company's Head Office

The Company's head office shall be in the city of Al Khobar. However, the head office of the Company may be transferred to another city in Saudi Arabia at a decision of the General Meeting after approval of SAMA. The Company may establish branches, offices or agencies in and out of the Kingdom of Saudi Arabia after approval of SAMA.

Duration of the Company

The term of the Company shall be ninety nine (99) Gregorian years, commencing on the date of issuance of a resolution by the Minister 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.

Share Capital

The share capital of the Company is SAR 200,000,000 (two Hundred Million Saudi Riyals); divided into 20,000,000 (Twenty Million) equal Shares, each with a nominal value of SAR 10 (Ten Saudi Riyals).

Subscription for the Share Capital

The Founding Shareholders subscribed for twelve million hundred (12,000,000) shares which have been fully paid up, representing 60% of the Company's total shares. The remaining shares amounting to 8,000,000 shares valued SAR 80,000,000 will be offered for public subscription during 30 days of publishing the Royal Decree announcing the incorporation of the Company. Directly after the Offering, the number of Shares will become 20,000,000 shares.

Decrease of Capital

The Extra-Ordinary Meeting, upon subject to the approval of the competent authorities may reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision 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.

Transferability of Shares

The 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 restriction period. However, cash share may be transferred during the restriction 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 Founding Shareholders to any third party in case of death.

Attachment of Directors' shares

Each member of the Board shall be a holder of five thousand (5,000) of the Company's Shares as a minimum guarantee against contracts arising between him and the Company as approved by the ordinary General Assembly. Such right of attachment will include dividends due on the attached Shares.

Board's disposal of the attached shares

The Board of Directors is entitled after the competent authorities approval when exercising the right for attachment of shares offered as a guarantee from the board members in exchange for contracts that arise between them and the Company, to sell them provided that the debt is due for payment and after a second call sent by a registered mail to the debtor, the owner of the shares, asking him to pay the debt within two weeks. If he fails to do so, the Board shall be entitled to sell them through the "Exchange" and repay the price of the shares sold to settle all debt and obligations required by the Company. The balance (if any) shall be paid to the shareholder, his sponsor, will administrator or heirs

Board of Directors

The Company shall be managed by a Board of Directors consisting of ten (10) members appointed by the Ordinary General Assembly for a term not exceeding three (3) years. This appointment shall prejudice the legal person's right to replace its representative in the Board. The term of the first Board of Directors shall extend for 3 years commencing from the date of Ministerial resolution declaring the incorporation of the Company.

Powers of the Board

Subject to the powers reserved for the General Assembly, the Board shall have the widest powers in managing the affairs of the Company and may, within the limits of its authority, delegate to one or more of its members or other parties the power of performing certain work or works.

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 have the authority to sign on behalf of the Company and to represent the Company before judicial bodies and with third parties. The Chairman and the Managing Director shall have the powers to delegate their duties to others. The Managing Director or the Chief Executive Officer shall be responsible for the executive management of the Company. The Board shall fix the salaries, allowances and remunerations of the Chairman, the Managing Director/CEO as set forth in Article 17 of the By-Laws.

The Board's remuneration

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 Executive Committee.

In addition, the Company shall pay the actual expenses incurred for attending the Board or Executive Committee meetings including travel and accommodation expenses. In any event, the total remuneration of the Chairman and the Directors may not exceed 5% of the net profits. The Company shall ensure that all the written details of the proposed remuneration and reimbursement are provided to the Shareholders prior to the Ordinary General Assembly date where the matter will be discussed and voted on, where the concerned board member or senior executive shall not have the right to vote. The remuneration of the Board members may be amended subject to approval of the extraordinary General Assembly of the Shareholders.

Board Meetings

The Board shall be called to convene in the head office of the Company by its Chairman and when requested to convene such meeting by two members of the Board. The call shall be documented in the way deemed proper by the Board. The Board may meet outside the head office of the Company. The Board shall meet four times within a fiscal year provided the period between meetings should not exceed four months.

The meeting of the Board shall not have a quorum unless attended by at least two thirds of the members provided that the members attending in person shall not be less than four directors. Subject to Article 15 of the By-Laws, a Board member may delegate another Board member to attend the Board meeting and vote therein on his behalf.

The Board's resolutions shall be passed unanimously, and in case of dispute by 2/3 majority vote of the present or represented members. Board resolutions may be issued by members voting by circulation, unless a member request in writing to conduct more deliberation regarding the matter, in which case, the resolutions will be presented to the Board in its 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 a member must refrain from voting and deliberating on that matter without the need of excluding him from the number of attendees for the quorum purposes.

Committees

The Board shall form an Audit Committee consisting of no less than three (3) members and no more than five (5), who are not executive Directors of the Company and the majority of whom shall not be members of the Board as approved by SAMA, the Ministry of Commerce and Industry and the CMA

The Board shall form an Executive Committee consisting of not less than three members and not more than five (5) members. The chairman of the Executive Committee shall be appointed from its members. If the chairman is not present at a meeting, the Committee shall appoint a temporary chairman from the members present. A member of the Executive Committee may appoint another member to vote at three Executive Committee meetings only. The period of membership of the Executive Committee shall be the same as of the Board and the Board shall fill the vacancy in the Executive Committee.

With respect to any instructions issued by SAMA or by the Company's Board, the Executive Committee shall assume all authorities designated by SAMA or the Board. The Executive Committee shall help the Managing Director or the General Manager within its limits of responsibility.

The Executive Committee meeting shall be valid only if attended by at least two (2) of its members in person or by proxy, provided that, at least two (2) members shall attend in person. The decisions of the Executive Committee shall be adopted unanimously. In the event of disagreement the decisions shall be adopted by three quarters majority vote of the present or represented members. The Committee shall meet from time to time whenever its chairman considers it necessary provided that at least six (6) meetings shall be held during a

year. The Executive Committee shall meet if so requested in writing by at least two (2) members and a decision issued shall be deemed as approved if approved in writing by two (2) of the members.

General Meetings

General Meetings of Shareholders in a 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. Each shareholder, no matter of the shares he holds, shall have the right to attend the Constitutional General Meeting in person or by proxy and vote thereat. Each shareholder having title to at least 20 shares shall have the right to attend the Ordinary or Extra-Ordinary General Meeting. A shareholder may delegate another shareholder who is not a director or officer of the Company to attend the General meeting on his behalf by means of proxy.

Except for matters falling within the jurisdiction of the Extraordinary General Meeting, the Ordinary General Meeting shall have jurisdiction to deal with all matters that concern the Company. It shall be held at least once a year within six months following the end of the Company's financial year. Other Ordinary General Meetings may be convened whenever needed.

The Extraordinary General Meeting shall have jurisdiction to alter the By-Laws except the provisions which may not be altered under the relevant Law. In addition to the foregoing, it may pass resolutions on matters falling within the jurisdiction of the Ordinary General Meeting subject to the same conditions and in the same manner prescribed for the latter.

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least one half of the Share Capital. In case this quorum is not attained at the first meeting a notice shall be made for a second meeting to be held within thirty days after the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of Companies Regulations. The second meeting shall be valid irrespective of the number of shares represented therein.

The Extraordinary General Meeting shall be valid only if attended by shareholders representing at least 50% of the Share Capital. In case this quorum is not attained in the first meeting, a notice shall be made for a second meeting in the manner prescribed in the preceding Article. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Share Capital.

Shareholders' Assemblies' Resolutions

Resolutions of the 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 or merger with another company, then such resolution shall be valid only if adopted by a majority of three-quarters of the Shares represented at the meeting.

Auditors

At a general assembly, shareholders shall appoint 2 (two) auditors annually from among the auditors licensed to work in the Kingdom.

Fiscal Year

The fiscal year of the Company shall start on January 1 and end on December 31 of the same year.

Annual Accounts

At the end of each fiscal year the Board shall prepare the closing entries of the Company's assets and liabilities as of that date. The Board of Directors shall also prepare financial statements and a report on the Company's activities and financial position for the concluded financial year. The report should set out the proposed method for distribution of net profits within a period not exceeding forty (40) days from the end of the annual financial year which includes such listings. The Board shall provide all such documents to the auditors at least fifty-five (55) days prior to the date set for the General Assembly. The Chairman shall sign such documents, and deposit a copy, which shall be held at the Company's head office, to be available to the Shareholders, at least

twenty-five (25) days before the meeting of the General Assembly. The Chairman must publish the financial statements, a comprehensive summary of the Board's report and the full text of the auditors' report in a daily newspaper published in the same city as the Company's head office. A copy of the same shall be delivered to the department of companies and the CMA at least twenty-five (25) days before the meeting of the ordinary General Assembly.

Insurance operations accounts

Insurance operations accounts will be independent from shareholders income statement, as per the following details:

1. An account will be made for earned premiums, reinsurance commissions and other commissions.
2. An account will be made for claims incurred by the Company.
3. At the end of each year, the total surplus will be determined which represents the difference between the total premiums and compensations minus the marketing, administrative and operating expenses and required technical provisions according to the regulating instructions.
4. The net surplus will be determined in the following manner:
 - Policyholders' Return on Investment will be added to or deducted from the accumulated surplus stated in paragraph (3) above after accounting for their revenues and deducting their realized expenses.
5. Distribution of net surplus will be made either through distributing a percentage of (10%) to the policyholders directly, or by reducing their premiums for the following year and carrying over the (90%) to the shareholders income accounts.

Shareholders Income Statement

1. Shareholders income from the return on investment on the shareholders' funds will be in accordance with the rules established by the Board of Directors.
2. Shareholders' share of the net surplus will be as stated in paragraph (5) of the above mentioned Article.

Distribution of Dividends

The Company's annual net profits shall be distributed as follows:

1. Zakat and income tax allocations are to be held,
2. 20% of the net profits shall be withheld to form a statutory reserve; The ordinary General Assembly may discontinue this allocation when the said reserve reaches one hundred per cent. of the Company's paid-up capital.
3. The Ordinary General Assembly may 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,
4. The balance shall be paid to the Shareholders as an initial payment of not less than 5% of the paid-up Capital,
5. The balance shall be distributed among the Shareholders as a share in the profits or transferred to retained earnings account,
6. By resolution of the Board of Directors, periodic profits, deducted from the annual profits specified in subsection 4 above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

The Company shall inform the CMA, without any delay, of any resolutions for the distribution of profits or recommendation of the same. The distributable profits shall be distributed to the Shareholders in places and on dates as determined by the Board in accordance with the instructions of the Ministry of Commerce and Industry and subject to the prior written consent of SAMA.

The Company's Losses

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 specified in Article 5 of its By-Laws. In all cases, the Assembly's resolution shall be published in the Official Gazette.

Dissolution and Winding up of the Company

The Company will end with the expiration of its term as per By-Laws and the Companies Regulations. Upon expiry of Company term, or if dissolved prior to expiry of its term, the 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 liquidator 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.

Upon liquidation, entitlements of subscribers to the insurance operation surplus and to reserves formed as stipulated in the By-Laws shall be taken into account as stipulated in Articles 43 & 44 of the By-Laws.

14. Underwriting

Aljazira Capital Company will be the sole Underwriter of the Offering.

a) Underwriter

Aljazira Capital Company
King Fahad Road Riyadh
P.O. Box 20438
Riyadh, 11455
Kingdom of Saudi Arabia
Tel: (966) 11 2256000
Fax: (966) 2256068
Website: www.aljaziracapital.com.sa
E-mail: contactus@aljaziracapital.com.sa



The Company has entered into the Underwriting Agreement with the Underwriter. Following is a summary of Underwriting Agreement:

Number of Offered shares:

Number of Rights: 20 million shares

Offering Price: SAR 12 per share.

b) Summary of Underwriting Agreement

Following are main underwriting provisions:

The principal terms of the Underwriting Agreement are set forth below:

- 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 to by the eligible shareholders as additional shares at the Offer Price.
- The Underwriter undertakes to the Company that it will, on the allocation date, purchase the number of Offer Shares not subscribed for, at the Offer Price

c) Fees

About SAR 10 million of the Offering Proceeds will be paid as costs and expenses of the Offering, which include the fees of the Legal Advisor, Financial Advisor, Lead Manager, Auditor, Media and Public Relations Advisor, Underwriter, Receiving Agents, as well as the expenses arising from marketing, printing and other associated Offering expenses. Such expenses are estimates and are subject to final verification. Offering expenses will be deducted from the Offering Proceeds.

15. Estimated Offering Expenses

Total expected value of the Offering is expected at SAR 240 million, of which about SAR 10 million will be paid as costs and expenses of the Rights Offering, which include the fees of Financial Advisor, Legal Advisor, Financial Due Diligence Consultant, Underwriter, Receiving Agents, Media and Public Relations Advisor, as well as the expenses arising from marketing, translation, printing and distribution and other associated Offering expenses. The Company will incur all expenses relating to the Offering process. The following table depicts the total estimated offering expenses:

93 - Table (14-1): Offering Expenses

Item	Value (AR)
Fees of Financial Advisor, Lead Manager, Underwriter and other advisors/consultants	6,000,000
Marketing, distribution and advertisement expenses	1,500,000
Receiving Agents	1,400,000
Other expenses	1,100,000
Total	10,000,000

Source: Company

16. Exemptions

The Company has not submitted any request to CMA to be exempted from any requirements stipulated in the Listing Rules.

17. Description of Shares

17.1 Share Capital

The share capital of the Company is SAR 200,000,000 consisting of 20,000,000 shares of equal nominal value of SAR 10 per share.

The Board of Directors recommended in its meeting convened on 01/07/1435H (corresponding to 30/04/2014G) to increase the Company's Share Capital from SAR 200,000,000 to SAR 400,000,000 after obtaining the necessary regulatory approvals. The Company has filed an application with CMA for acceptance of listing the New Shares. The Company's Extraordinary General Meeting held on Monday 08/07/1436H (corresponding to 27/04/2015G), has approved the Board of Director's recommendation to increase the Share Capital through issuance of Rights. The Rights include issuance of 20,000,000 new shares. The Company's Share Capital will increase from SAR 200,000,000 to SAR 400,000,000.

17.2 Subscription to the Share Capital

The Share Capital of the Company was subscribed for in full. Founding Shareholders subscribed for 12,000,000 shares representing 60% of the full Share Capital, while public subscribed for the remaining shares representing 40% of the Share Capital, amounting to 80,000,000 shares, through an IPO.

17.3 Capital Increase

The Company may, based on a resolution passed by the EGM and after approval of the competent authorities, increase its capital once or more providing that the original capital has been paid in full. The resolution shall specify the method of capital increase.

17.4 Decrease of Capital

The Extra-Ordinary Meeting, subject to the approval of the competent authorities, may reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision 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.

17.5 Shares

The Company's shares are tradable in accordance with the rules and regulations issued by CMA. However, the shares subscribed for by the founding shareholders will not be tradable for 2 full years not than twelve months each from the date of incorporation. These provisions shall apply to the shares subscribed for by the Founding Shareholders of capital raise is effected prior to expiry of the restriction period. However, cash shares may be transferred during the restriction period in accordance with terms governing the transfer of shares from one founding shareholder to another or to a board member as a guarantee of membership, or from a diseased founder's heirs to third parties. The Company's by-laws are silent about any recovery or repurchase rights regarding the Company's shares

17.6 Voting Rights

Every shareholder has the right to attend the General Assembly personally or by proxy regardless of the number of shares he holds. Every Shareholder holding 20 shares or more will have the right to attend and vote at the General Assembly personally or by proxy. 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. Each share represented in the meeting has only one vote in the general assembly meetings.

17.7 General Meetings

A valid General Meeting represents all the shareholders. It shall be held in the town where the Head Office of the Company is located. Except for matters falling within the jurisdiction of the Extraordinary General Meeting, the Ordinary General Meeting shall have jurisdiction to deal with all matters that concern the Company. It shall be held at least once a year within six months following the end of the Company's financial year. Other Ordinary General Meetings may be convened whenever needed.

The Extraordinary General Meeting shall have jurisdiction to alter the By-Laws except the provisions which may not be altered under the relevant Law. In addition to the foregoing, it may pass resolutions on matters falling within the jurisdiction of the Ordinary General Meeting subject to the same conditions and in the same manner prescribed for the latter.

The Ordinary General Meeting shall be valid only if attended by shareholders representing at least one half of the Share Capital. In case this quorum is not attained at the first meeting a notice shall be made for a second meeting to be held within thirty days after the preceding meeting. Such notice shall be published in the manner prescribed in Article 88 of Companies Regulations. The second meeting shall be valid irrespective of the number of shares represented therein.

The Extraordinary General Meeting shall be valid only if attended by shareholders representing at least 50% of the Share Capital. In case this quorum is not attained in the first meeting, a notice shall be made for a second meeting in the manner prescribed in the preceding Article. The second meeting shall be valid if attended by a number of shareholders representing at least one quarter of the Share Capital.

18. Subscription Terms and Conditions

All Eligible Shareholders, holders of acquired rights and applicants must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form or the Rump Offering Form since the completion, execution and submission of the Subscription Application Form 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 Receiving Agents.

18.1 Subscription to the New Shares

Eligible Persons wishing to subscribe may submit the subscription application to the Right during the subscription period. The Subscription Application may be obtained from the following Receiving Agents:



Bank AlJazira
King Abdulaziz Road – Jeddah
P.O. Box 6277, Jeddah 21442
Kingdom of Saudi Arabia
Tel: +966 12 609 8888
Fax: +966 12 609 8881
Website: www.baj.com.sa
E-mail: info@baj.com.sa



The National Commercial Bank
King Abdul Aziz Road - Jeddah
P.O. Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966 12 6493333
Fax: +966 12 6437426
Website: www.alahli.com
E-mail: contactus@alahli.com



Al Rajhi Bank
Olaya Road - Riyadh
P.O. Box 28, Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 11 2116000
Fax: +966 11 4600705
Website: www.alrajhibank.com.sa
E-mail: contactcenter1@alrajhibank.com.sa



Banque Saudi Fransi
Al Maathar Street, Riyadh
P.O. Box 56006 Riyadh 11554
Kingdom of Saudi Arabia
Tel: +966 11 404 2222
Fax: +966 11 402 2311
Website: www.alfransi.com.sa
E-mail: communication@alfransi.com.sa

In accordance with this Prospectus, 20,000,000 Shares will be offered for subscription through the Rights Issue representing 100% of the Company's pre-offering share capital, at an Offer Price of SAR 12 per share, with a nominal amount of SAR 10 and a total Offering value of SAR 240,000,000. The New Shares will be issued as one New Share for every one share held. Subscription to the New Shares are offered to the Registered Shareholders, as at the close of trading on the date of the EGM held on Monday 08/07/1436H (corresponding to 27/04/2015G) (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 Rump Shares resulting from non-exercise or sale of the Rights by Eligible Persons will be made available to Institutional Investors during the Rump Offering.

Registered Shareholders may trade their Rights deposited in their accounts through 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 for one (1) New Share at the Offer Price. The Rights shall be deposited, within a maximum of 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 Monday 08/07/1436H (corresponding to 27/04/2015G).
- **First Offering Period:** Starts on Tuesday 16/07/1436H (corresponding to 05/05/2015G) until the end of the day on Thursday 25/07/1436H (corresponding to 14/05/2015G) 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, subject to the number of Rights available in the relevant account at the end of the Trading Period. Subscription in New Shares will occur by submitting a Subscription Application Form to any branch of the Receiving Agents by submitting a completed Subscription Application 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 16/07/1436H (corresponding to 05/05/2015G) until the end of the day on Thursday 25/07/1436H (corresponding to 14/05/2015G), in keeping with the First Offering Period. Tadawul is preparing mechanisms to regulate the trading of Rights in its systems and shall assign a new symbol for the Company's Rights Issue (separate from Company's trading symbol on TADAWUL screen). The trading system will cancel the Rights Issue symbol of the Company on TADAWUL screen once the Trading Period expires. This period includes the following options:

- a) Registered Shareholders during this period are entitled to:
 1. Retain the acquired Rights as of the Eligibility Date and exercise their Rights to subscribe for the New Shares through the Receiving Agents;
 2. Sell all their Rights or a part thereof;
 3. Purchase additional Rights and trade them (Subscription to additional New Shares is only possible during the Second Offering Period, by filling a Subscription Application Form or electronically with one of the Receiving Agents that provide such services to subscribers); or
 4. Refrain from taking any action relation to the Rights Issue (Not to sell the Rights or exercise the right to subscribe for it). 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 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 From Sunday 28/07/1436H (corresponding to 17/05/2015G) until the end of the day on Tuesday 01/08/1436H (corresponding to 19/05/2015G). No Rights can be traded during this period, which includes the following steps:
 - a) Registered Shareholders who hold 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 phase and in the same way as defined for the First Offering Period. If they purchase additional Rights during the Trading Period, they may exercise their Rights and subscribe in the New Shares during the Second Offering Period, by filling 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 subscribers. 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.
 - b) Those who purchased Rights during the Trading Period and held on to them until the end of such period, may exercise their Rights and subscribe 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 on Sunday 06/08/1436H (corresponding to 24/05/2015G) at 10:00 AM until 10:00 AM of the next day Monday 07/08/1436H (corresponding to 25/05/2015G). During this period, the Rump Shares together with the fractions shares will be offered to a number of institutional investors ("Institutional Investors"). These institutions would thereafter present offers to purchase the Rump Shares, and the Rump Shares will be allocated to Institutional Investors in order of offer value so the highest value comes first until all of the Rump Shares have been allocated (provided that it shall not be less than the Offer Price), with the Rump Shares being proportionally divided among Institutional Investors that tendered offers at the same price. Share fractions will be added to the remaining shares and treated similarly.
- **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 17/08/1436H (corresponding to 04/06/2015G).
- **Trading of the New Shares on the Market:** Trading in the New Shares on the Exchange is expected to commence once all related formalities pertaining to their registration and allocation have been completed

18.2 Eligible Persons who do not subscribe for the New Shares

The Company's share price will be modified at the close of the trading day on the date which the EGM was held on Monday 08/07/1436H (corresponding to 27/04/2015G), based on the value of the subscription and the number of New Shares issued under this Prospectus, in addition to the market value of listed shares at closing time. Registered Shareholders who do not participate in whole or in part in the New Shares subscription will

be subject to a decrease in their percentage of ownership in the Company and the value of the Shares they currently hold. Eligible Persons who did not subscribe to and did not sell their Rights will be vulnerable to losses. Eligible Persons who do not subscribe for New Shares will not get any advantages or benefits against the rights owing to them 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.

18.3 Completion of 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 SAR 12.

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;

- 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 submitted to the Receiving Agent.

18.4 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 in favor of the Company.

Power of attorney will be restricted to first class relatives (children, parents). In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He shall attach the original and a copy of a valid power of attorney issued by a notary public for those who are living in Saudi Arabia or legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia.

18.5 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 telephone 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.

An 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.

18.6 Allocation

The Company and Lead Manager shall open an escrow account called "Saudi United Cooperative Insurance Company - Rights Issue", in which the subscription proceeds shall be deposited. The New Shares shall be allocated to each investor based upon the number of Rights that he/she properly exercised. As for Shareholders entitled to fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. Total price of sale of rump shares will be paid to the Company, and the remainder proceeds of the rump shares (in excess of Offer Price) will be distributed to eligible subscribers each in pro rata with his eligibility no later than Thursday 17/08/1436H (corresponding to 04/06/2015G). Excess unsubscribed for Shares shall be purchased by and allocated to the Underwriter at the launch price.

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 by depositing the shares into the accounts of Subscribers with the receiving parties. 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 09/08/1436H (corresponding to 27/05/2015G).

For the eligible persons of fraction shares, such fractions shall be collected and offered to the institutional investors during the Rump Offering period. The proceeds from the sale of such shares will be distributed to eligible subscribers each in pro rata with his eligibility no later than Thursday 17/08/1436H (corresponding to 04/06/2015G).

18.7 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 17/08/1436H (corresponding to 04/06/2015G).

18.8 FAQs about the Rights Issue Mechanism

What is a Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the priority to subscribe for New Shares upon approval of the 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 200 new shares, its number of shares becomes 1,200. Then, the eligibility ratio is 1 to 5 (one new share for every five 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 35 (thirty-five Saudi Riyals) and the Offer Price is SAR 10 (ten Saudi Riyals), the opening price of the Rights will be 35 minus 10, i.e. SAR 25 (twenty-five 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.

Can Shareholders subscribe more than once through more than one receiving bank?

Yes, they are allowed to subscribe. However, the quantity of subscribed shares should not exceed the number of rights acquired upon end of rights trading period. Any excess in the shares subscribed over the number of rights acquired at the end of rights trading period will result in the cancellation of subscription application.

If Company shares are acquired through more than one investment portfolio, in which portfolio will the Rights be deposited?

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholders holds 1000 shares in the Company (800 shares in portfolio (a) and 200 shares in portfolio (b), then the total Rights which will be deposited (1,000) Rights as each shares is eligible for (1) Right. Therefore, 800 Rights will be deposited in portfolio (a) and 200 Rights will be deposited in portfolio (b).

In case of subscription through more than one portfolio, where will the new shares after allocation be deposited?

Shares may be deposited in the investment portfolio mentioned in the first subscription application

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 the subscriber can subscribe for the Rights he purchased during trading period?

During the second phase only after completion of the trading period in the rights.

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.

18.9 Miscellaneous Terms

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 has been issued in Arabic and English languages and in case of contradiction between the Arabic and English texts, the Arabic text of the Prospectus shall prevail.

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 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) An 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.

18.10 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 refund of subscription surplus in coordination with the CMA, and will be announced at a later date.

18.11 The Saudi Arabian Stock Exchange ("Tadawul")

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Electronic trading in securities commenced in the Kingdom in 1989G.

Trading on Tadawul takes place through a fully integrated trading system "TADAWUL" through an integrated process 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 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 during the day, i.e. 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.

18.12 Registration in the Saudi Stock Exchange

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 has been approved and these have been deposited 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.

Although the existing shares of the Company are listed in TADAWUL, trading of new shares cannot be made unless after the allocation of shares to eligible subscribers and proposal providers in the Rump offering is approved and the new shares are deposited in their accounts on Tadawul. It is absolutely prohibited to trade the new shares before allocation process is completed and approved.

Subscribers or proposal providers in the Rump offering and who deal in restricted trading activities will be fully liable for their dealing in such activities, and the Company will not bear any legal liability in this case.

18.13 Resolutions and Approvals under which shares are offered

Wala'a has recently obtained SAMA's approval under letter No. 351000081751 dated 23/06/1435H (corresponding to 23/04/2014G) to increase its share capital by SAR 200 million through the Rights Issue Offering. Upon completion of the Offering the Company's share capital will be SAR 400 million comprising 40 million shares with nominal value of SAR 10 per share. The Company's Board has issued its resolution dated 01/07/1435H (corresponding to 30/04/2014G) recommending increase of the Company's capital to meet its solvency requirements. The EGM held on Monday 08/07/1436H (corresponding to 27/04/2015G) 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 by publishing this Prospectus on CMA's website on 11/05/1436H (corresponding to 02/03/2015G).

It is worth to mention that the shares of constituent shareholders will be subject to the obligation to obtain SAMA approval before constituent shareholders can dispose of their shares.

18.14 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 22.13 and it is expected to be reset to 17.07 in the opening session the next day. The change represents a decrease of 22.9%.

First: Calculation of the market value of the Company at the close of trading on the day of the EGM:

Number of shares 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: Calculation of the price of share in the opening session on the day following the day the EGM:

- $$\frac{(\text{The market value of the Company at the close on the day of the EGM} + \text{the value of the offered shares})}{(\text{Number of shares issued by the Company at the end of the day the EGM} + \text{the number of New Shares offered in this Offering})} = \text{share price reset for the opening session on the day following the day of the EGM.}$$

19. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office in Alkhobar, from 8:30 a.m. to 5:00 p.m. (from Sunday to Thursday), 3 weeks before the Offering Period and throughout the Offering Period:

- The Company's Commercial Registration.
- The Company's By-Laws.
- Recommendation of the Board of Directors regarding capital increase.
- Resolution of the EGM approving the Company's Right Issue offering.
- CMA's approval of the Company's capital increase through Rights Issue Offering.
- SAMA's approval of the Company's capital increase.
- Material contracts.
- The contracts that must be disclosed under paragraph (i), section 13, Appendix 4 of the Listing Rules.
- Consents from the auditors to refer to their names and use their reports in this Prospectus.
- A written consent from the Financial Advisor to refer to its name in the Prospects as the Financial Advisor.
- A written consent from the Offering Legal Advisor to refer to its name in the Prospects as the Legal Advisor
- A written consent from the Financial Due Care Advisor to include their report and name in the Prospects
- The reports referenced in the Prospectus which are made available for inspection according to the Admission and Listing Rules. Those include Swiss Re report on the world insurance sector for 2013G.
- Audited financial statements for the years ending 31 December 2011G, 2012G, and 2013G.
- Interim financial statements for the periods ending on 30 September 2014G and 30 September 2013G
- Valuation report of the Company.

20. Accountant's Report

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014



INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

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

SCOPE OF REVIEW

We have reviewed the accompanying interim statement of financial position of Saudi United Cooperative Insurance Company (Wala'a) - a Saudi Joint Stock Company ("the Company") as at 30 September 2014, and the related interim statements of insurance operations, shareholders' operations, shareholders' comprehensive income for the three month and nine month periods then ended, and the interim statements of changes in shareholders' equity, insurance operations' cash flows and shareholders' operations' cash flows for the nine month period ended 30 September 2014 and the notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard (IAS) 34 - "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with the auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

REVIEW CONCLUSION

Based on our limited 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 note 2 to the accompanying interim condensed financial statements. These interim condensed financial statements are prepared in accordance with IAS - 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi
Certified Public Accountant
License Number 378



27 Dhu Al Hijjah 1435H
October 21, 2014

PricewaterhouseCoopers

Omar M. Al Sagga
Certified Public Accountant
License Number 369



SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2014

	Note	30 September 2014	31 December 2013
		SR	SR
		(Un-audited)	(Audited)
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	3	183,702,795	119,381,611
Premiums and insurance balances receivable	4	129,005,501	79,108,899
Reinsurers' share of unearned premiums		165,472,198	57,439,907
Reinsurers' share of outstanding claims		253,927,145	105,122,990
Deferred policy acquisition costs		19,382,656	12,050,405
Prepaid expenses and other assets		12,639,661	14,288,196
Accrued commission income		-	34,675
Property and equipment		4,075,512	4,532,680
TOTAL INSURANCE OPERATIONS' ASSETS		768,205,468	391,959,363
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	3	105,612,524	86,366,117
Short-term deposits		27,231,211	26,983,859
Other financial assets	7	56,086,530	60,941,698
Due from insurance operations		3,085,241	19,815,072
Prepaid expenses and other assets		791,636	-
Accrued commission income		1,151,695	939,190
Statutory deposit	8	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		213,958,837	215,045,936
TOTAL ASSETS		982,164,305	607,005,299

(Continued)

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 SEPTEMBER 2014

	Note	30 September 2014	31 December 2013
		SR	SR
		(Un-audited)	(Audited)
INSURANCE OPERATIONS' LIABILITIES			
Liabilities arising from insurance contracts:			
Unearned premiums		305,145,666	132,352,853
Outstanding claims		352,959,073	181,437,542
Total liabilities arising from insurance contracts		658,104,739	313,790,395
Accrued and other liabilities		43,972,680	29,283,978
Reinsurance balances payable		45,094,743	18,361,378
Unearned reinsurance commission		11,846,972	5,501,830
Due to shareholders' operations		3,085,241	19,815,072
End-of-service indemnities		3,953,647	3,059,264
TOTAL INSURANCE OPERATIONS' LIABILITIES		766,058,022	389,811,917
Insurance operations' surplus		2,147,446	2,147,446
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		768,205,468	391,959,363
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued and other liabilities		10,189,721	8,269,395
SHAREHOLDERS' EQUITY			
Share capital	10	200,000,000	200,000,000
Accumulated losses		(3,094,336)	(14,481,813)
Fair value reserve		6,863,452	21,258,354
TOTAL SHAREHOLDERS' EQUITY		203,769,116	206,776,541
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		213,958,837	215,045,936
TOTAL LIABILITIES, INSURANCE OPERATIONS SURPLUS AND SHAREHOLDERS' EQUITY		982,164,305	607,005,299

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INSURANCE OPERATIONS

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

	Note	Three-month ended 30 September 2014	Three-month ended 30 September 2013	Nine-month ended 30 September 2014	Nine-month ended 30 September 2013
		SR	SR	SR	SR
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
REVENUES					
Gross premiums written	5,6	190,746,328	109,749,993	547,458,681	276,700,248
Reinsurance premiums ceded		(125,746,928)	(71,130,294)	(297,293,632)	(137,146,249)
Net premiums written	6	64,999,400	38,619,699	250,165,049	139,553,999
Changes in unearned premiums, net		7,640,089	360,466	(64,760,522)	(26,020,938)
Net premiums earned	6	72,639,489	38,980,165	185,404,527	113,533,061
Reinsurance commission	6	4,995,889	11,656,471	13,386,319	18,499,762
Other underwriting income	6	151,851	17,221	430,406	76,458
TOTAL REVENUES		77,787,229	50,653,857	199,221,252	132,109,281
UNDERWRITING COSTS AND EXPENSES					
Gross claims paid		53,048,398	22,405,668	154,734,793	81,935,676
Reinsurers' share of claims paid		(4,734,232)	(6,041,647)	(25,992,502)	(14,620,988)
Net claims paid		48,314,166	16,364,021	128,742,291	67,314,688
Changes in outstanding claims, net		3,806,353	6,614,041	22,717,376	9,585,721
Net claims incurred	6	52,120,519	22,978,062	151,459,667	76,900,409
Policy acquisition costs		8,522,015	5,320,650	23,520,685	13,747,068
Excess of loss expenses		2,738,398	1,519,687	7,131,777	4,814,453
Other expenses		3,325,597	958,981	8,225,766	2,800,024
TOTAL UNDERWRITING COSTS AND EXPENSES		66,706,529	30,777,380	190,337,895	98,261,954
NET UNDERWRITING INCOME		11,080,700	19,876,477	8,883,357	33,847,327
OTHER OPERATING EXPENSES, NET					
Operating and administrative salaries		(5,471,650)	(7,698,262)	(21,809,078)	(23,086,606)
General and administrative expenses		(4,272,867)	(4,545,344)	(13,628,516)	(10,559,380)
Commission income on bank deposits		-	103,052	12,610	287,291
TOTAL OTHER OPERATING EXPENSES, NET		(9,744,517)	(12,140,554)	(35,424,984)	(33,358,695)
Net surplus (deficit) from insurance operations		1,336,183	7,735,923	(26,541,627)	488,632
Insurance operations (surplus) deficit transferred to shareholders' operations		(1,336,183)	(6,962,331)	26,541,627	(439,769)
Net result from insurance operations after shareholders' appropriation		-	773,592	-	48,863

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

	Note	Three-month ended 30 September 2014	Three-month ended 30 September 2013	Nine-month ended 30 September 2014	Nine-month ended 30 September 2013
		SR	SR	SR	SR
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net surplus (deficit) transferred from insurance operations		1,336,183	6,962,331	(26,541,627)	439,769
Commission income on bank deposits		63,135	128,223	429,380	233,360
Commission income on held-to- maturity investments		47,126	47,126	141,376	141,376
Dividends and realized fair value changes on available-for-sale investments		40,773,684	497,134	42,098,348	12,904,229
General and administrative expenses		(501,732)	(450,000)	(2,302,503)	(1,588,500)
Net income for the period		41,718,396	7,184,814	13,824,974	12,130,234
Basic and diluted earnings per share	10	2.09	0.36	0.69	0.61
Weighted average number of outstanding shares		20,000,000	20,000,000	20,000,000	20,000,000

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2014

	Note	Three-month ended 30 September 2014	Three-month ended 30 September 2013	Nine-month ended 30 September 2014	Nine-month ended 30 September 2013
		SR	SR	SR	SR
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Shareholders' net income for the period		41,718,396	7,184,814	13,824,974	12,130,234
Unrealized fair value changes on available for sale investment		(22,236,720)	6,549,648	(14,394,902)	16,451,214
Provision for zakat and income tax		(812,499)	(750,000)	(2,437,497)	(2,250,000)
Total comprehensive income for the period		18,669,177	12,984,462	(3,007,425)	26,331,448
Basic and diluted earnings (loss) per share	10	0.93	0.65	(0.15)	1.32
Weighted average number of outstanding shares		20,000,000	20,000,000	20,000,000	20,000,000

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Share capital	Accumulated losses	Fair value reserve	Total
	SR	SR	SR	SR
Balance at 1 January 2013 (Audited)	200,000,000	(36,128,195)	11,265,390	175,137,195
Shareholders' net income for the period	-	12,130,234	-	12,130,234
Unrealized fair value changes on available-for-sale investments , net	-	-	16,451,214	16,451,214
Provision for zakat and income tax	-	(2,250,000)	-	(2,250,000)
Balance at 30 September 2013 (Un-audited)	200,000,000	(26,247,961)	27,716,604	201,468,643
Balance at 1 January 2014 (Audited)	200,000,000	(14,481,813)	21,258,354	206,776,541
Shareholders' net income for the period	-	13,824,974	-	13,824,974
Unrealized fair value changes on available-for-sale investments, net	-	-	(14,394,902)	(14,394,902)
Provision for zakat and income tax	-	(2,437,497)	-	(2,437,497)
Balance at 30 September 2014 (Un-audited)	200,000,000	(3,094,336)	6,863,452	203,769,116

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Nine-month ended 30 September 2014	Nine-month ended 30 September 2013
	SR	SR
	(Un-audited)	(Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (deficit)/ surplus from insurance operations	(26,541,627)	488,632
Adjustments for:		
Depreciation	1,184,521	1,013,832
End-of-service indemnities, net	894,383	782,098
	(24,462,723)	2,284,562
Changes in operating assets and liabilities:		
Premiums and insurance balances receivable	(49,896,602)	(29,467,256)
Reinsurers' share of unearned premiums	(108,032,291)	(38,555,805)
Reinsurers' share of outstanding claims	(148,804,155)	(45,430,751)
Deferred policy acquisition costs	(7,332,251)	(3,429,689)
Due from an affiliate	-	(1,115,355)
Prepaid expenses and other assets	1,648,535	(139,428)
Accrued commission income	34,675	(145,509)
Unearned premiums	172,792,813	64,576,743
Outstanding claims	171,521,531	55,016,472
Accrued and other liabilities	14,688,702	(256,533)
Reinsurance balances payable	26,733,365	3,587,674
Unearned reinsurance commission	6,345,142	2,323,215
Net cash generated from operating activities	55,236,741	9,248,340
CASH FLOW FROM INVESTING ACTIVITY		
Purchase of property and equipment	(727,353)	(2,140,827)
CASH FLOW FROM FINANCING ACTIVITY		
Due from shareholders' operations	9,811,796	10,542,078
Net increase in cash and cash equivalents	64,321,184	17,649,591
Cash and cash equivalents at the beginning of the period	119,381,611	81,786,405
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	183,702,795	99,435,996

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)
INTERIM STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Nine-month ended 30 September 2014	Nine-month ended 30 September 2013
	SR	SR
	(Un-audited)	(Un-audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	13,824,974	12,130,234
Adjustments for:		
Commission income	(570,756)	(233,360)
Dividends and realized fair value changes on available-for-sale investments	(42,098,348)	(12,904,229)
	(28,844,130)	(1,007,355)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(791,636)	-
Due from insurance operations	16,729,831	(10,981,847)
Accrued and other liabilities	(517,171)	219,413
Net cash used in operations	(13,423,106)	(11,769,789)
Zakat paid	-	(2,192,282)
Net cash used in operating activities	(13,423,106)	(13,962,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term deposits	(247,352)	(384,976)
Movement in other financial assets, net	(9,539,734)	(992,905)
Commission, dividend received and realized fair value changes	42,456,599	395,591
Net cash generated from (used in) investing activities	32,669,513	(982,290)
Net change in cash and cash equivalents	19,246,407	(14,944,361)
Cash and cash equivalents at the beginning of the period	86,366,117	60,000,000
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	105,612,524	45,055,639
Supplemental cash flow information		
Provision for zakat and income tax	(2,437,497)	(2,250,000)
Unrealized fair value changes on available-for-sale investments, net	(14,394,902)	16,451,214

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed financial statements for the three-month and nine-month periods ended 30 September 2014 have been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" (IAS 34). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the Kingdom of Saudi Arabia i.e. in accordance with the standard on Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants (SOCPA).

These interim condensed financial statements include all transactions comprising mainly of normal recurring nature considered necessary by the Company's management to present a fair statement of the financial position, results of operations and cash flows.

These interim condensed financial statements have been prepared under historical cost convention, except for certain available-for-sale investments which are measured at fair value and are presented in Saudi Riyals, which is also the functional currency of the Company, and the presentation currency for these interim condensed financial statements.

The Saudi Arabian insurance regulations require separate accounts to be maintained for insurance operations and shareholders' activities. Also, as per the insurance implementing regulations the shareholders of the Company are to receive 90% of the annual surplus from the insurance operations and the policyholders are to receive 10% or this percentage to be deducted from their next period's premiums.

2.2 Accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual audited financial statements as at and for the year ended 31 December 2013, except for the adoption of amendments and revisions to existing standards as mentioned below, which had no significant financial impact on these interim condensed financial statements of the Company. These interim condensed financial statements should therefore be read in conjunction with the audited financial statements for the year ended 31 December 2013.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Standard
Consolidated Financial Statements	Amendments to IFRS 10
Disclosures of Interest in Other Entities	Amendments to IFRS 12
Separate Financial Statements	Amendments to IAS 27
Financial Instruments – Presentation	Amendments to IAS 32
Impairment of assets	Amendments to IAS 36
Financial instruments: Recognition and Measurement	Amendments to IAS 39
Levies	IFRIC 21

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 Accounting policies (Continued)

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing on or after 1 October 2014:

Description	Standard
Defined benefit plans	Amendment to IAS 19
Financial instruments regarding general hedge accounting	Amendment to IFRS 9
Financial instruments	IFRS 9

Annual improvements 2012

Annual improvements 2013

2.3 Use of estimates in preparation of financial statements

The preparation of interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the interim reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Changes in assumptions may have a significant financial impact on the interim condensed financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and the Company's financial statements present fairly, in all material respects, the financial position and results of operations.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

2 CASH AND CASH EQUIVALENTS

Insurance operations

	30 September	31 December
	2014 SR	2013 SR
	(Un-audited)	(Audited)
Cash in hand	67,000	67,000
Cash at banks	183,635,795	33,419,629
Time deposits	-	85,894,982
	183,702,795	119,381,611

Shareholders' operations

	30 September	31 December
	2014 SR	2013 SR
	(Un-audited)	(Audited)
Cash at banks	105,612,524	86,366,117

3. CASH AND CASH EQUIVALENTS (Continued)

Bank current accounts and time deposits are placed with financial institutions that have investment grade credit ratings. As of December 31, 2013, time deposits were placed with local banks with an original maturity of less than three months from the date of acquisition and earned financial income at an average rate of 0.80% to 1.1% per annum.

4. PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	30 September	31 December
	2014	2013
	SR	SR
	(Un-audited)	(Audited)
Premiums receivable	141,572,512	91,589,538
Insurance and reinsurance receivables	2,893,878	1,563,971
Allowance for doubtful debts	(15,460,889)	(14,044,610)
	129,005,501	79,108,899

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

5. RELATED PARTY TRANSACTIONS

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

	30 September	30 September
	2014 SR	2013 SR
	(Un-audited)	(Un-audited)
Gross premium received from directors and their related parties	2,098,515	1,619,609
Gross premium received from key management personnel	12,806	8,545
Compensation of key management personnel - other benefits	3,622,935	3,413,940
Amount received on behalf of an affiliate	105,625	336,669
Amount charged to an affiliate	3,025	1,452,024

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

	30 September	31 December
	2014 SR	2013 SR
	(Un-audited)	(Audited)
Premiums receivable from key management personnel, directors and their related parties	945,659	125,767
Claims payable to directors and related parties / affiliate	911,144	567,763

6. SEGMENTAL INFORMATION

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

Segment results do not include operating and administrative salaries and general and administrative expenses.

Segment assets do not include cash and cash equivalents, time deposits, investments, premiums and insurance balances receivable, prepayments and other assets and property and equipment.

Segment liabilities do not include accounts payable; reinsurance balances payable, accrued expenses and other liabilities, due to shareholders' operations and end-of-service indemnities.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

Operating segments

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the three-month period ended 30 September 2014 (Un-audited)						
Gross premiums written	11,002,394	38,518,734	103,300,422	19,907,314	18,017,464	190,746,328
Net premiums written	11,002,394	38,510,563	1,307,655	2,420,882	11,757,906	64,999,400
Net premiums earned	12,709,281	50,678,664	926,131	1,395,433	6,929,980	72,639,489
Reinsurance commission	-	70,876	2,801,075	1,891,205	232,733	4,995,889
Other underwriting income	-	132,540	1,355	1,785	16,171	151,851
Net incurred claims	(7,061,384)	(36,338,371)	(3,269,525)	(75,056)	(5,376,183)	(52,120,519)
Other underwriting expenses	(2,128,605)	(8,967,637)	(1,271,353)	(875,685)	(1,342,730)	(14,586,010)
Other general and administrative expenses (unallocated)						(9,744,517)
Net surplus from insurance operations						1,336,183

6. SEGMENTAL INFORMATION (Continued)

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the nine-month period ended 30 September 2014 (Un- audited)						
Gross premiums written	36,326,844	176,998,510	182,387,859	106,793,550	44,951,918	547,458,681
Net premiums written	36,326,844	175,641,919	5,697,105	5,285,278	27,213,903	250,165,049
Net premiums earned	36,037,046	120,358,205	5,284,241	3,460,331	20,264,704	185,404,527
Reinsurance commission	-	200,265	7,841,763	4,614,115	730,176	13,386,319
Other underwriting income	-	362,275	9,245	5,750	53,136	430,406
Net incurred claims	(22,145,702)	(112,031,364)	(4,391,901)	(2,246,142)	((10,644,558)	(151,459,667)
Other underwriting expenses	(6,150,610)	(21,645,373)	(4,753,211)	(2,309,031)	((4,020,003)	(38,878,228)
Other general and administrative expenses (unallocated)						(35,437,594)
Deficit from insurance operations						(26,554,237)
Commission income on bank deposits						12,610
Net deficit from insurance operations						(26,541,627)

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
As at 30 September 2014 (Un-audited)						
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	355,269	92,539,647	57,277,577	15,299,705	165,472,198
Reinsurers' share of outstanding claims	421,670	7,159,664	195,986,820	44,262,325	6,096,666	253,927,145
Deferred policy acquisition costs	5,075,505	8,219,213	1,878,589	1,811,342	2,398,007	19,382,656
Unallocated assets						329,423,469
Total assets						768,205,468
Insurance operations' liabilities						
Unearned premiums	24,610,055	97,101,678	94,057,107	59,937,411	29,439,415	305,145,666
Outstanding claims	12,302,711	71,716,514	203,038,386	46,938,373	18,963,089	352,959,073
Unearned reinsurance commission	219,998	71,066	5,405,599	5,477,873	672,436	11,846,972
Unallocated liabilities						98,253,757
Total liabilities and surplus						768,205,468

6. SEGMENTAL INFORMATION (Continued)

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the three month period ended 30 September 2013 (Un-audited)						
Gross premiums written	10,450,540	13,640,084	65,293,409	6,412,058	13,953,902	109,749,993
Net premiums written	10,450,540	13,619,029	1,601,202	837,225	12,111,703	38,619,699
Net premium earned	9,319,845	20,899,843	1,294,580	627,280	6,838,617	38,980,165
Reinsurance commission	8,042,940	52,764	2,164,911	1,327,626	68,230	11,656,471
Other underwriting income	-	6,899	1,422	915	7,985	17,221
Net incurred claims	(4,688,526)	(12,193,944)	(981,819)	(560,997)	(4,552,776)	(22,978,062)
Other underwriting expenses	(1,489,498)	(3,221,850)	(1,059,785)	(652,948)	(1,375,237)	(7,799,318)
Other general and administrative expenses (unallocated)						(12,243,606)
Surplus from insurance operations						7,632,871
Commission income on bank deposits						103,052
Net surplus from insurance operations						7,735,923

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
For the nine month period ended 30 September 2013 (Un-audited)						
Gross premiums written	30,415,305	75,165,696	116,835,309	20,357,562	33,926,376	276,700,248
Net premiums written	30,415,305	74,163,078	4,015,965	1,328,344	29,631,307	139,553,999
Net premium earned	30,986,045	58,162,644	2,702,363	2,418,095	19,263,914	113,533,061
Reinsurance commission	8,655,812	146,766	6,162,947	3,393,204	141,033	18,499,762
Other underwriting income	-	34,989	8,465	3,405	29,599	76,458
Net incurred claims	(18,840,755)	(45,459,861)	(2,245,190)	968,871	(11,323,474)	(76,900,409)
Other underwriting expenses	(3,447,926)	(7,730,183)	(2,759,630)	(1,763,579)	(5,660,227)	(21,361,545)
Other general and administrative expenses (unallocated)						(33,645,986)
Surplus from insurance operations						201,341
Commission income on bank deposits						287,291
Net surplus from insurance operations						488,632

6. SEGMENTAL INFORMATION (Continued)

	Medical SR	Motor SR	Property SR	Engineering SR	Others SR	Total SR
As at 31 December 2013 (Audited)						
Insurance operations' assets						
Reinsurers' share of unearned premiums	-	-	37,607,395	9,112,591	10,719,921	57,439,907
Reinsurers' share of outstanding claims	1,254,506	775,866	60,642,848	38,806,430	3,643,340	105,122,990
Deferred policy acquisition costs	4,940,066	3,394,692	1,308,141	956,861	1,450,645	12,050,405
Unallocated assets						217,346,061
Total assets						391,959,363
Insurance operations' liabilities						
Unearned premiums	24,320,257	41,462,694	38,712,029	9,947,478	17,910,395	132,352,853
Outstanding claims	11,714,321	48,611,139	65,870,243	42,264,346	12,977,493	181,437,542
Unearned reinsurance commission	219,998	-	3,145,644	1,770,772	365,416	5,501,830
Unallocated liabilities						72,667,138
Total liabilities						391,959,363

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

Geographical distributions

All of the significant assets and liabilities of the Company are located in the Kingdom of Saudi Arabia except for a minor portion of the reinsurance assets / liabilities which are held outside the Kingdom of Saudi Arabia

7. OTHER FINANCIAL ASSETS

The Company's other financial assets are classified as follows:

	30 September	31 December
	2014 SR	2013 SR
	(Un-audited)	(Audited)
Held-to-maturity	6,500,000	6,500,000
Available-for-sale	49,586,530	53,941,698
Loans and receivables	-	500,000
	56,086,530	60,941,698

8. STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Law. This statutory deposit cannot be withdrawn without the consent of SAMA.

9. STATUTORY RESERVE

In accordance with the Law, the Company is required to transfer not less than 20% of its annual profits to a statutory reserve until such reserve amounts to 100% of the paid-up share capital of the Company. No such transfer has been made during the period due to accumulated losses at the period end.

10. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is Saudi Riyal 200 million consisting of 20 million shares of Saudi Riyal 10 each.

On April 23, 2014 (corresponding to 23 Jumada II 1435H), the Company received an approval from SAMA for increasing its ordinary share capital by SAR 200 million, by way of issuance of right shares to its existing shareholders. The Company is currently in the process of obtaining approval from the Capital Market Authority (CMA) after submission of information and documents specified by them. As a result of this rights issue, the share capital of the Company will increase to SR 400 million comprising of 40 million shares of SR 10 each in issued and fully paid up shares.

11. EARNINGS (LOSS) PER SHARE

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The Company's financial assets consist of cash and cash equivalents, other financial assets and other assets and its financial liabilities consist of payable, accrued and other liabilities.

The fair values of recognized financial instruments are not significantly different from the carrying values included in the interim condensed financial statements

Determination of fair value and fair value hierarchy

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

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

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

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

The table below presents the financial assets which are carried at fair values as at 30 September 2014 and 31 December 2013 based on their value hierarchy:

As at 30 September 2014 (Un-audited)

	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Financial instruments				
Held to maturity				
Debt securities	-	6,500,000	-	6,500,000
Investments available-for-sale				
Equity securities	46,863,452	-	2,723,078	49,586,530
Total	46,863,452	6,500,000	2,723,078	56,086,530

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2013 (Audited)

	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Financial instruments				
Held to maturity				
Debt securities	-	6,500,000	-	6,500,000
Investments available-for-sale				
Equity securities	51,218,620	-	2,723,078	53,941,698
Loans and advances				
Loan	-	-	500,000	500,000
Total	51,218,620	6,500,000	3,223,078	60,941,698

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2014

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

During the nine month period ended 30 September 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

13. CONTINGENCIES

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

14. RESULTS OF THE INTERIM PERIOD

The results of the interim period are not an indication of the results of the full statutory financial year.

15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors on October 21, 2014.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013



INDEPENDENT AUDITORS' REPORT

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

Scope of audit:

We have audited the accompanying statement of financial position of Saudi United Cooperative Insurance Company (Wala'a) (a Saudi joint stock company) (the "Company") as at December 31, 2013 and the related statements of insurance operations, shareholders' income, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' 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 Article 123 of the Regulations for Companies and presented to us together with all information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion:

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

- Present fairly, in all material respects, the financial position of the Company as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and
- Comply in all material respects with the requirements of the Regulations for Companies and the Company's by-laws so far as they affect the preparation and presentation of the financial statements.

Emphasis of matter:

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

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369



Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Moh'd Sobahi
License Number 378



February 16, 2014

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2013	2012
INSURANCE OPERATIONS' ASSETS			
Cash and cash equivalents	4	119,381,611	81,786,405
Premiums and insurance balances receivable	5	79,108,899	62,065,879
Reinsurers' share of unearned premiums	11	57,439,907	44,284,121
Reinsurers' share of outstanding claims	12	105,122,990	46,153,014
Deferred policy acquisition costs		12,050,405	9,720,768
Prepaid expenses and other assets	6	14,288,196	6,450,438
Accrued commission income		34,675	77,903
Property and equipment	7	4,532,680	3,207,792
TOTAL INSURANCE OPERATIONS' ASSETS		391,959,363	253,746,320
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	4	86,366,117	60,000,000
Short-term deposits	8	26,983,859	26,475,994
Other financial assets	9	60,941,698	64,800,506
Due from insurance operations		19,815,072	10,420,017
Accrued commission income		939,190	1,167,878
Statutory deposit	10	20,000,000	20,000,000
TOTAL SHAREHOLDERS' ASSETS		215,045,936	182,864,395
TOTAL ASSETS		607,005,299	436,610,715

(Continued)

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2013	2012
INSURANCE OPERATIONS' LIABILITIES			
Liabilities arising from insurance contracts:			
Unearned premiums	11	132,352,853	91,115,733
Outstanding claims	12	181,437,542	107,273,881
Total liabilities arising from insurance contracts		313,790,395	198,389,614
Accrued and other liabilities	13	29,283,978	27,238,932
Reinsurance balances payable		18,361,378	8,197,770
Unearned reinsurance commission	14	5,501,830	5,198,133
Due to shareholders' operations		19,815,072	10,420,017
End-of-service indemnities	15	3,059,264	2,180,634
TOTAL INSURANCE OPERATIONS' LIABILITIES		389,811,917	251,625,100
Insurance operations' surplus		2,147,446	2,121,220
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		391,959,363	253,746,320
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued and other liabilities	13	8,269,395	7,727,200
SHAREHOLDERS' EQUITY			
Share capital	16	200,000,000	200,000,000
Accumulated losses		(14,481,813)	(36,128,195)
Fair value reserve		21,258,354	11,265,390
Total shareholders' equity		206,776,541	175,137,195
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		215,045,936	182,864,395
TOTAL LIABILITIES, INSURANCE OPERATION SURPLUS AND SHAREHOLDERS' EQUITY		607,005,299	436,610,715

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
REVENUES			
Gross premiums written	19	347,190,906	234,092,747
Reinsurance premiums ceded	19	(153,798,417)	(75,468,993)
Net premiums written		193,392,489	158,623,754
Changes in unearned premiums	11	(28,081,334)	19,237,866
Net premiums earned	11	165,311,155	177,861,620
Reinsurance commission	14	21,223,135	10,452,804
Other underwriting income		96,153	164,353
Total revenues		186,630,443	188,478,777
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	12	117,449,436	121,739,998
Reinsurers' share of claims paid	12	(22,239,744)	(31,784,985)
Net claims paid		95,209,692	89,955,013
Changes in outstanding claims	12	15,193,685	11,391,196
Net incurred claims	12	110,403,377	101,346,209
Policy acquisition costs		20,593,378	23,155,762
Excess of loss expenses		6,724,498	5,642,298
Other underwriting expenses		3,947,330	5,103,054
Total underwriting costs and expenses		141,668,583	135,247,323
Net underwriting income		44,961,860	53,231,454
OTHER OPERATING EXPENSES, NET			
Operating and administrative salaries		(30,834,065)	(25,109,963)
General and administrative expenses	20	(14,266,654)	(13,761,496)
Commission income on bank deposits		401,117	838,900
Total other operating expenses, net		(44,699,602)	(38,032,559)
Net surplus from insurance operations		262,258	15,198,895
Shareholders' appropriation of surplus		(236,032)	(13,679,006)
Net result from insurance operations after appropriation of surplus		26,226	1,519,889

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' INCOME

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
Net surplus transferred from insurance operations		236,032	13,679,006
Commission income on bank deposits		605,027	678,404
Commission income on held-to-maturity investments		188,500	188,500
Realized gain on sale of available-for-sale investments		25,655,323	7,212,038
General and administrative expenses	20	(2,038,500)	(2,998,088)
Net income for the year		24,646,382	18,759,860
Basic and diluted earnings per share	24	1.23	0.94
Weighted average number of outstanding shares		20,000,000	20,000,000

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
Shareholders' net income for the year		24,646,382	18,759,860
Unrealized fair value changes on available-for-sale investments		9,992,964	4,641,746
Provision for zakat and income tax	21	(3,000,000)	(2,750,000)
Total comprehensive income for the year		31,639,346	20,651,606
Basic and diluted earnings per share	24	1.58	1.03
Weighted average number of outstanding shares		20,000,000	20,000,000

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Accumulated losses	Fair value reserve	Total
Balance at January 1, 2012	200,000,000	(52,138,055)	6,623,644	154,485,589
Net income for the year	-	18,759,860	-	18,759,860
Unrealized fair value changes on available-for-sale investments, net	-	-	4,641,746	4,641,746
Provision for zakat and income tax	-	(2,750,000)	-	(2,750,000)
Balance at December 31, 2012	200,000,000	(36,128,195)	11,265,390	175,137,195
Balance at January 1, 2013	200,000,000	(36,128,195)	11,265,390	175,137,195
Net income for the year	-	24,646,382	-	24,646,382
Unrealized fair value changes on available-for-sale investments, net	-	-	9,992,964	9,992,964
Provision for zakat and income tax	-	(3,000,000)	-	(3,000,000)
Balance at December 31, 2013	200,000,000	(14,481,813)	21,258,354	206,776,541

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations		262,258	15,198,895
Adjustments for:			
Depreciation	7	1,396,066	1,244,224
Gain on disposal of property and equipment		-	(4,388)
End-of-service indemnities, net		878,630	689,751
		2,536,954	17,128,482
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(17,043,020)	(4,805,968)
Reinsurers' share of unearned premiums		(13,155,786)	30,608,981
Reinsurers' share of outstanding claims		(58,969,976)	(792,452)
Deferred policy acquisition costs		(2,329,637)	4,038,427
Prepaid expenses and other assets		(7,837,758)	(1,569,834)
Accrued commission income		43,228	34,061
Unearned premiums		41,237,120	(46,687,302)
Outstanding claims		74,163,661	12,183,648
Unearned reinsurance commission		303,697	337,398
Reinsurance balances payable		10,163,608	(44,252,735)
Accrued and other liabilities		2,045,046	4,048,866
Net cash generated from (used in) operating activities		31,157,137	(29,728,428)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	7	(2,720,954)	(2,144,199)
Proceeds from disposal of property and equipment		-	11,300
Net cash utilized in investing activities		(2,720,954)	(2,132,899)
CASH FLOWS FROM FINANCING ACTIVITY			
Due to shareholders' operations		9,159,023	(24,067,910)
Net cash generated from (utilized in) financing activities		9,159,023	(24,067,910)
Net change in cash and cash equivalents		37,595,206	(55,929,237)
Cash and cash equivalents at the beginning of the year		81,786,405	137,715,642
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	119,381,611	81,786,405

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		24,646,382	18,759,860
Adjustments for:			
Commission income		(605,027)	(678,404)
Realized fair value changes on available-for-sale investments		(25,655,323)	(7,212,038)
		(1,613,968)	10,869,418
Changes in operating assets and liabilities:			
Due from insurance operations		(9,395,055)	10,388,904
Accrued and other liabilities		(265,523)	1,672,809
Cash (used in) generated from operating activities		(11,274,546)	22,931,131
Zakat paid	21	(2,192,282)	(1,446,178)
Net cash (used in) generated from operating activities		(13,466,828)	21,484,953
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term deposits		(507,865)	13,524,006
Movement in other financial assets, net		39,507,095	(1,550,000)
Commission income received		833,715	268,466
Net cash generated from investing activities		39,832,945	12,242,472
Net change in cash and cash equivalents		26,366,117	33,727,425
Cash and cash equivalents at the beginning of the year		60,000,000	26,272,575
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	86,366,117	60,000,000
Non-cash transaction:			
Unrealized gain on available-for-sale investments	9	9,992,964	4,641,746

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

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

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

2. Summary of significant accounting policies

Significant accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

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

As required by the Law, the Company maintains separate accounts for insurance operations and shareholders' operations and presents the financial statements accordingly. The physical custody and title of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and board of directors of the Company.

As per the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

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

The accounting policies used in the preparation of these financial statements are consistently applied for all years presented, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which are effective for periods beginning on or after January 1, 2013 but had no significant financial impact on the financial statements of the Company:

- Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income, effective July 1, 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- Amendment to IAS 19, 'Employee benefits', effective January 1, 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting, effective January 1, 2013.
- Amendment to IFRS 1, 'First time adoption', on government loans, effective January 1, 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.
- Amendment to IFRSs 10, 11 and 12 on transition guidance, effective January 1, 2013. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.
- IFRIC 20, 'Stripping costs in the production phase of a surface mine', effective January 1, 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.
- IFRS 10 'Consolidated financial statements', effective January 1, 2013. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.
- IFRS 11, 'Joint arrangements', effective January 1, 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12, 'Disclosures of interests in other entities', effective January 1, 2013. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

- IFRS 13, 'Fair value measurement', effective January 1, 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS 27 (revised 2011), 'Separate financial statements', effective January 1, 2013. IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised 2011), 'Associates and joint ventures', effective January 1, 2013. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- Annual improvements 2011, effective January 1, 2013. These annual improvements, address six issues in the 2009- 2011 reporting cycle. It includes changes to:
 - IFRS 1, 'First time adoption'
 - IAS 1, 'Financial statement presentation'
 - IAS 16, 'Property plant and equipment'
 - IAS 32, 'Financial instruments; Presentation'
 - IAS 34, 'Interim financial reporting'

2.2.1 Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing on or after January 1, 2014: Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting, effective January 1, 2014. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities, effective January 1, 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures, effective January 1, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Amendment to IAS 39 'Novation of derivatives', effective January 1, 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria. IFRS 9, 'Financial instruments', effective January 1, 2014. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRIC 21, 'Levies', effective January 1, 2014. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

1.3 Use of estimates in the preparation of financial statements

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

1.4 Product classification

2.4.1 Insurance contracts

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

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

2.4.2 Investment contracts

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

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

1.5 Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has four reportable operating segments as follows: Medical insurance provides coverage for health insurance. Motor insurance provides coverage for vehicles' insurance. Property insurance provides coverage for property insurance. Other insurance provides coverage for engineering, fire, marine and other general insurance.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the period. If any transaction was to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

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

1.6 Functional and presentation currency

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

1.7 Property and equipment

Property and equipment are initially recorded at cost and are subsequently stated at cost less accumulated depreciation and any impairment in value, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of insurance operations during the financial period in which they are incurred. 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
Computer equipment & software	4
Furniture, fixture and office equipment	5
Vehicles	4

The assets' useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of insurance operations and accumulated surplus under other income.

1.8 Financial Assets

2.8.1 Classification

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

a) Loans and receivables

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

b) Available-for-sale investments

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

c) Held-to-maturity investments

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

2.8.2 Recognition and measurement

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

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

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

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

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

2.8.3 Determination of fair values

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

2.8.4 Impairment of assets

(a) Financial assets carried at amortised cost

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

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

(b) Available-for-sale investments

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

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

1.9 Derecognition of financial assets

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.

1.10 Premiums earned and commission income

Premiums are taken into income over the terms of the respective policies on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods: Premium written in last three months of the financial year for marine cargo business; and Actual number of days for other lines of business

1.11 Premiums receivable

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

1.12 Reinsurance

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

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

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

1.13 Deferred policy acquisition costs

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

1.14 Claims

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

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

1.15 Liability adequacy test

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

net of related deferred policy acquisition costs. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations initially by writing off the related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired 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.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

1.16 Time deposits

These comprise of deposits with banks with maturity periods of less than one year and more than three months from the date of acquisition.

1.17 Cash and cash equivalents

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

1.18 Unearned reinsurance commission

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

1.19 Provisions

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

1.20 Accrued and other liabilities

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

1.21 Payables

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

1.22 End-of-service indemnities

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

1.23 Zakat and taxes

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of shareholders' comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

1.24 Derecognition of Financial liabilities

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

1.25 Offsetting

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

1.26 Revenue Recognition

(a) Recognition of premium and commission revenue

Gross premiums and commissions are recognized with the commencement of the insurance risks. The portions of premiums and commission that will be earned in the future are reported as unearned premiums and commissions, respectively, and are deferred on a basis consistent with the term of the related policy coverage.

Premiums earned on reinsurance assumed, if any, are recognised as revenue in the same manner as if the reinsurance premiums were considered to be gross premiums.

(b) Commission income

Commission income from time deposits is recognized on a time proportion basis using the effective interest rate method.

(c) Dividend income

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

1.27 Leasing

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

2.28 Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

3. Critical accounting estimates and judgments

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

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

Impairment of premiums and insurance balances receivable

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

Impairment of available-for-sale investments

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

4. Cash and cash equivalents

	2013	2012
Insurance operations		
Cash in hand	67,000	72,000
Cash at banks	33,419,629	41,650,405
Time deposits	85,894,982	40,064,000
	119,381,611	81,786,405
Shareholders' operations		
Cash at banks	86,366,117	60,000,000
	86,366,117	60,000,000

Time deposits are placed with local and foreign banks with an original maturity of less than three months from the date of acquisition and earn financial income at an average rate of 0.8% to 1.1% (2012: 0.8% to 1.1%) per annum.

5. Premiums and insurance balances receivable

	2013	2012
Premiums receivable	91,589,538	73,594,210
Insurance and reinsurance receivables	1,563,971	1,206,173
Allowance for doubtful debts	(14,044,610)	(12,734,504)
	79,108,899	62,065,879

Movement in the allowance for doubtful debts is as follows:

	2013	2012
January 1,	12,734,504	10,118,140
Provided during the year (Note 20)	1,310,106	2,616,364
December 31,	14,044,610	12,734,504

The aging of receivables arising from premium insurance receivable and reinsurance receivables is as follows:

Insurance premium receivables

Past due but not impaired

	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2013	78,717,906	47,283,406	15,198,000	13,602,000	2,634,500
2012	61,954,360	33,789,473	15,946,634	10,435,883	1,782,370

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

Insurance and reinsurance receivables

Past due but not impaired

	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2013	390,993	-	-	-	390,993
2012	111,519				111,519

Premiums insurance and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance companies both in Kingdom of Saudi Arabia and Europe, respectively. Insurance premiums and reinsurance balances receivable include Saudi Riyals 1,239,945 (December 31, 2012: Saudi Riyals 2,188,872) due in foreign currencies, mainly US dollars. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. No individual or company accounts for more than 16.5% of the premiums receivable as at December 31, 2013 (2012: 14.4%). In addition, the five largest customers account for 43% of the premiums receivable as at December 31, 2013 (2012: 46%).

Unimpaired receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

6. Prepaid expenses and other assets

	2013	2012
Prepaid rent	384,543	949,295
Prepaid fees	979,052	750,035
Advances	5,517,581	2,709,517
Deposits	4,645,690	145,690
Other assets	2,761,330	1,895,901
	14,288,196	6,450,438

7. Property and equipment

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

2012	Computer equipment and software	Furniture, fixture and office equipment	Vehicles	Total
Cost				
January 1, 2012	2,554,062	2,629,509	175,350	5,358,921
Additions	514,437	1,429,942	199,820	2,144,199
Disposals	-	(65,000)	-	(65,000)
At December 31, 2012	3,068,499	3,994,451	375,170	7,438,120
Accumulated depreciation				
January 1, 2012	1,559,927	1,382,633	101,632	3,044,192
Charge for the year	536,033	640,392	67,799	1,244,224
Disposals	-	(58,088)	-	(58,088)
At December 31, 2012	2,095,960	1,964,937	169,431	4,230,328
Net book value				
December 31, 2012	972,539	2,029,514	205,739	3,207,792

8. Short-term deposits

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

9. Other financial assets

	2013	2012
Held-to-maturity	6,500,000	6,500,000
Available-for-sale	53,941,698	57,800,506
Loans and receivable	500,000	500,000
	60,941,698	64,800,506

Held-to-maturity investments represent fixed rate bonds that are traded in an interbank market within Saudi Arabia and values are determined according to such market. These fixed rate bonds are carrying a profit margin of 2.9% (2012: 2.9%). with a maturity period of 10 years (callable after 5 years December 2014). Management believes that fair value of these investments approximates their carrying value as at December 31, 2013 and 2012.

Available-for-sale investments include the following:

	2013	2012
Quoted securities	51,218,620	55,077,428
Unquoted securities	2,723,078	2,723,078
	53,941,698	57,800,506

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

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

	2013	2012
January 1,	57,800,506	44,346,722
Purchases	18,713,313	13,812,038
Disposals	(32,565,085)	(5,000,000)
Unrealized gains	9,992,964	4,641,746
December 31,	53,941,698	57,800,506

Gains realised on sale of available-for-sale investments during the year ended December 31, 2013 amounted to Saudi Riyals 25,655,323.

10. Statutory deposit

In accordance with the Implementing Regulations for Insurance Companies, the Company is required to maintain a statutory deposit of not less than 10% of its paid-up capital. The statutory deposit is maintained with a Saudi Arabian bank and can be withdrawn only with the consent of SAMA.

11. Unearned premiums

	Year ended December 31,	
	2013	2012
At January 1,		
Unearned premium	91,115,733	137,803,035
Reinsurers' share of unearned premiums	(44,284,121)	(74,893,102)
	46,831,612	62,909,933
Net written premiums during the year	193,392,489	158,623,754
Net earned premiums during the year	(165,311,155)	(177,861,620)
Changes in unearned premium	28,081,334	(19,237,866)
At December 31,		
Unearned premium	132,352,853	91,115,733
Reinsurers' share of unearned premiums	(57,439,907)	(44,284,121)
	74,912,946	46,831,612

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

12. Outstanding claims

	2013		
	Gross	Reinsurers' share	Net
Claims			
Balance, beginning of the year	(107,273,881)	46,153,014	(61,120,867)
Claims paid during the year	117,449,436	(22,239,744)	95,209,692
Balance, end of the year	181,437,542	(105,122,990)	76,314,552
Claims incurred during the year	191,613,097	(81,209,720)	110,403,377
Analysis of outstanding claims			
At December 31,			
Balance, beginning of the year	(107,273,881)	46,153,014	(61,120,867)
Reported claims	116,693,556	(74,467,322)	42,226,234
Claims incurred but not reported	64,743,986	(30,655,668)	34,088,318
Changes in outstanding claims	74,163,661	(58,969,976)	15,193,685

12 Outstanding claims (Continued)

	2012		
	Gross	Reinsurers' share	Net
Claims			
Balance, beginning of the year	(95,090,233)	45,360,562	(49,729,671)
Claims paid during the year	121,739,998	(31,784,985)	89,955,013
Balance, end of the year	107,273,881	(46,153,014)	61,120,867
Claims incurred during the year	133,923,646	(32,577,437)	101,346,209
Analysis of outstanding claims			
At December 31,			
Balance, beginning of the year	(95,090,233)	45,360,562	(49,729,671)
Reported claims	51,943,616	(22,521,067)	29,422,549
Claims incurred but not reported	55,330,265	(23,631,947)	31,698,318
Changes in outstanding claims	12,183,648	(792,452)	11,391,196

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

13. Accrued and other liabilities

a) Insurance operations

	2013	2012
Accrued expenses	29,283,978	27,238,932

b) Shareholders' operations

	2013	2012
Accrued expenses	1,326,764	1,747,500
Zakat and income tax (note 21)	6,023,206	5,215,488
Other payables	919,425	764,212
	8,269,395	7,727,200

14. Unearned reinsurance commission

	2013	2012
At January 1,	5,198,133	4,860,735
Commission received during the year	21,526,832	10,790,202
Commission earned during the year	(21,223,135)	(10,452,804)
At December 31,	5,501,830	5,198,133

15. End-of-service indemnities

	2013	2012
January 1,	2,180,634	1,490,883
Charged during the year	1,277,378	933,155
Paid during the year	(398,748)	(243,404)
December 31,	3,059,264	2,180,634

16. Share capital

The authorized, issued and paid up share capital of the Company is Saudi Riyal 200 million at the year end consisting of 20 million shares of Saudi Riyal 10 each.

17. Statutory reserve

In accordance with the Law, the Company is required to transfer not less than 20% of its annual net income, after adjusting accumulated losses, to a legal reserve until such reserve amounts to 100% of the paid-up share capital of the Company. No such transfer has been made during the year due to accumulated losses as at December 31, 2013 and 2012.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

18. Related party transactions and balances

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

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year.

		Sales of insurance contracts	Amounts owed by related parties
Directors and related parties	2013	1,648,337	125,767
	2012	1,810,711	561,589
Key management personnel	2013	11,298	--
	2012	9,449	

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

For the years ended December 31, 2013 and 2012, the Company has not recorded any allowance for doubtful debts relating to amount owed by related parties as management is confident regarding recoverability of relevant balances.

Compensation of key management personnel of the Company:

	2013	2012
Short-term benefits	3,328,433	2,552,077
Employees' end of service indemnity	623,544	456,597
	3,951,977	3,008,674

19. Segmental reporting

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

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

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

	Medical SR	Motor SR	Property SR	Others SR	Total SR
For the year ended December 31, 2013					
Gross premiums written	44,508,962	106,830,833	122,196,882	73,654,229	347,190,906
Net premiums written	44,508,962	105,820,676	4,399,074	38,663,777	193,392,489
Net premiums earned	42,630,979	82,668,925	3,828,399	36,182,852	165,311,155
Reinsurance commission	7,585,093	202,028	8,621,795	4,814,219	21,223,135
Other underwriting income	-	42,889	9,730	43,534	96,153
Total revenues	50,216,072	82,913,842	12,459,924	41,040,605	186,630,443
Gross claims paid	(28,314,533)	(59,975,050)	(7,306,613)	(21,853,240)	(117,449,436)
Reinsurer's share of claims paid	6,357,404	1,452,476	2,580,598	11,849,266	22,239,744
Changes in outstanding claims	3,397,042	(17,052,039)	(2,621,454)	1,082,766	(15,193,685)
Net incurred claims	(18,560,087)	(75,574,613)	(7,347,469)	(8,921,208)	(110,403,377)
Other underwriting expenses	(7,263,265)	(11,583,605)	(3,924,981)	(8,493,355)	(31,265,206)
General and administrative expenses (unallocated)					(45,100,719)
Deficit from insurance operations					(138,859)
Commission income on bank deposits					401,117
Net surplus from insurance operations					262,258

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

19 Segmental reporting (Continued)

As at December, 31 2013		Motor	Property	Others	Total
	Medical				
Insurance operations' assets					
Reinsurers' share of unearned premiums	-	-	37,607,395	19,832,512	57,439,907
Reinsurers' share of outstanding claims	1,254,506	775,866	60,642,848	42,449,770	105,122,990
Deferred policy acquisition costs	4,940,066	3,394,692	1,308,141	2,407,506	12,050,405
Unallocated assets					217,346,061
Total assets	6,194,572	4,170,558	99,558,384	64,689,788	391,959,363
Insurance operations' liabilities					
Unearned premiums	24,320,257	41,462,694	38,712,029	27,857,873	132,352,853
Outstanding claims	11,714,321	48,611,139	65,870,243	55,241,839	181,437,542
Unearned reinsurance commission	219,998	-	3,145,644	2,136,188	5,501,830
Unallocated liabilities					72,667,138
Total liabilities	36,254,576	90,073,833	107,727,916	85,235,900	391,959,363
Operating segments	Medical	Motor	Property	Others	Total
For the year ended					
December 31, 2012					
Gross premiums written	64,705,279	59,574,320	54,485,071	55,328,077	234,092,747
Net premiums written	64,238,833	58,634,095	2,793,131	32,957,695	158,623,754
Net premiums earned	78,513,050	60,827,717	2,575,769	35,945,084	177,861,620
Reinsurance commission	-	188,045	6,312,219	3,952,540	10,452,804
Other underwriting income	1,250	112,920	8,980	41,203	164,353
Total revenues	78,514,300	61,128,682	8,896,968	39,938,827	188,478,777
Gross claims paid	(34,386,071)	(58,087,547)	(7,789,792)	(21,476,588)	(121,739,998)
Reinsurers' share of claims paid	14,995,122	2,153,556	6,335,616	8,300,691	31,784,985
Changes in outstanding claims	(7,326,448)	(2,550,229)	(39,522)	(1,474,997)	(11,391,196)
Net claims incurred	(26,717,397)	(58,484,220)	(1,493,698)	(14,650,894)	101,346,209
Other underwriting expenses	(11,760,416)	(8,002,057)	(3,894,002)	(10,244,639)	(33,901,114)
General and administrative expenses (unallocated)					(38,871,459)
Surplus from insurance operations	40,036,487	(5,357,595)	3,509,268	15,043,295	14,359,995
Commission income on bank deposits					838,900
Net surplus from insurance operations					15,198,895

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

19. Segmental reporting (Continued)

As at December 31, 2012	Medical	Motor	Property	Others	Total
Insurance operations' assets					
Reinsurers' share of unearned premiums	(523,008)	-	21,477,960	23,329,169	44,284,121
Reinsurers' share of outstanding claims	5,728,240	1,673,687	9,584,618	29,166,469	46,153,014
Deferred policy acquisition costs	4,766,098	1,531,124	956,425	2,467,121	9,720,768
Unallocated assets	-	-	-	-	153,588,417
Total assets	9,971,330	3,204,811	32,019,003	54,962,759	253,746,320
Insurance operations' liabilities					
Unearned premiums	21,918,838	18,310,943	22,011,958	28,873,994	91,115,733
Outstanding claims	19,605,388	32,456,920	12,190,559	43,021,014	107,273,881
Unearned reinsurance commission	219,998	-	2,389,327	2,588,808	5,198,133
Unallocated liabilities	-	-	-	-	50,158,573
Total liabilities	41,744,224	50,767,863	36,591,844	74,483,816	253,746,320

Geographical segments

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

20. General and administrative expenses

a) Insurance operations

	Year ended December 31,	
	2013	2012
Provision for doubtful debts	1,310,106	2,616,364
Legal and professional fees	3,442,874	3,972,360
Rent	3,144,537	1,979,161
Depreciation	1,396,066	1,244,224
Office supplies	615,900	484,028
Utilities	1,058,279	847,168
Marketing, advertising and promotion	811,909	214,269
Withholding tax	314,382	314,187
Training and education	598,847	542,836
Information technology	166,030	323,198
Other expenses	1,407,724	1,223,701
	14,266,654	13,761,496

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

b) Shareholders' operations

	Year ended December 31,	
	2013	2012
Employee costs	1,200,000	1,200,000
Board members fee	800,000	1,700,000
Other expenses	38,500	98,088
	2,038,500	2,998,088

21. Zakat and income tax matters

(i) Provision for zakat and income tax

Provision for zakat has been made at 2.5% of approximate zakat base attributable to the Saudi shareholders of the Company. Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

The principal elements of approximate zakat base are as follows:

	2013	2012
Shareholders' equity, beginning of the year	175,137,195	154,485,589
Non-current liabilities	3,059,264	2,180,634
Non-current assets	(80,941,698)	(85,585,220)
Approximate zakat base	97,254,761	71,081,003

Movements in provision for zakat and income tax as at December 31, 2013 and 2012 are as follows:

2013	Zakat	Income tax	Total
January 1, 2013	5,019,636	195,852	5,215,488
Payments	(1,802,032)	(390,250)	(2,192,282)
Provision for the year	2,575,000	425,000	3,000,000
December 31, 2013	5,792,604	230,602	6,023,206
2012	Zakat	Income tax	Total
January 1, 2012	3,708,494	203,172	3,911,666
Payments	(1,235,686)	(210,492)	(1,446,178)
Provision for the year	2,546,828	203,172	2,750,000
December 31, 2012	5,019,636	195,852	5,215,488

(ii) Status of zakat and income tax certificate

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2012 and obtained the required certificate from the DZIT.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

22. Risk management

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

Risk management structure

Board of Directors

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

Audit Committee and Internal Audit Department

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

Risk Management Committee

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

Senior management

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

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

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

Insurance risk management

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

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

Medical

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

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

Motor

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

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. Substantially all of the motor contracts relate to corporate customers. The Company has reinsurance cover to limit losses for any individual claim up to Saudi Riyal 0.5 million.

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

Property

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

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

These contracts are underwritten to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such exposure to limit losses for any individual claim up to Saudi Riyal 2 million.

Casualty

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

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

Marine cargo

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

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

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

Insurance claims reserving

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

Frequency and amounts of claims

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

Reinsurance strategy

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

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

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

The largest five reinsurers account for 93% of the maximum credit exposure at December 31, 2013 (2012: 70%).

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.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

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

	2013				2012			
	Gross outstanding claims	Net outstanding claims	Gross unearned premiums	Net unearned premiums	Gross outstanding claims	Net outstanding claims	Gross unearned premiums	Net unearned premiums
Medical	6%	14%	18%	32%	18%	23%	24%	48%
Motor	27%	63%	31%	55%	30%	50%	20%	39%
Property	36%	7%	29%	1%	11%	4%	24%	1%
Other	31%	16%	22%	12%	41%	23%	32%	12%
	100%	100%	100%	100%	100%	100%	100%	100%

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

Sensitivity analysis

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

	Shareholders' net income		Shareholders' equity	
	2013	2012	2013	2012
Impact of change in claim liabilities by +10				
Medical	(1,045,982)	(1,387,715)	(1,000,612)	(1,327,523)
Motor	(4,783,526)	(3,078,323)	(4,576,042)	(2,944,801)
Property	(522,740)	(260,594)	(500,066)	(249,291)
Other	(1,279,207)	(1,385,455)	(1,223,721)	(1,325,360)
	(7,631,455)	(6,112,087)	(7,300,441)	(5,846,975)

	Shareholders' net income		Shareholders' equity	
	2013	2012	2013	2012
Impact of change in claim liabilities by -10				
Medical	1,045,982	1,387,715	1,000,612	1,327,523
Motor	4,783,527	3,078,323	4,576,042	2,944,801
Property	522,740	260,594	500,066	249,291
Other	1,279,207	1,385,455	1,223,721	1,325,360
	7,631,455	6,112,087	7,300,441	5,846,975

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

Claims development

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

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

Accident year	2010	2011	2012	2013	Total
Estimate of ultimate claims cost:					
At the end of accident year	108,885,585	113,443,470	108,166,145	170,254,549	
One year later	94,749,388	111,925,190	96,341,665	-	
Two year later	96,676,287	109,197,961	-	-	
Three year later	135,735,452	-	-	-	
Current estimate of cumulative claims	135,735,452	109,197,961	96,341,665	170,254,549	511,529,627
Cumulative payments to date	(84,874,909)	(97,421,435)	(79,400,056)	(68,395,685)	(330,092,085)
Liability recognized in statement of financial position	50,860,543	11,776,526	16,941,609	101,858,864	181,437,542

Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

Financial risk

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

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

Credit risk

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables. Premiums receivable comprise a large number of brokers/customers mainly within Saudi Arabia of which the five largest brokers/customers account for 43% of the receivables as at December 31, 2013 (2012: 46%).

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. Receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts

The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the board of directors.

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

Insurance operations assets as at December 31, 2013

	Non-investment grade			
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	119,314,611	67,000	-	119,381,611
Receivables arising from insurance contracts	-	47,283,406	31,434,500	78,717,906
Receivables arising from reinsurance contracts	-	-	390,993	390,993
Reinsurers' share of outstanding claims	-	105,122,990	-	105,122,990
Accrued commission income	-	34,675	-	34,675
Other assets	-	7,407,020	-	7,407,020
	119,314,611	159,915,091	31,825,493	311,055,195

Insurance operations assets as at December 31, 2012

	Non-investment grade			
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	81,714,405	72,000	-	81,786,405
Receivables arising from insurance contracts	-	33,789,473	28,164,887	61,954,360
Receivables arising from reinsurance contracts	-	111,519	-	111,519
Reinsurers' share of outstanding claims	-	46,153,014	-	46,153,014
Accrued commission income	-	77,903	-	77,903
Other assets	-	2,041,591	-	2,041,591
	81,714,405	82,245,500	28,164,887	192,124,792

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

Shareholders' assets as at December 31, 2013

	Non-investment grade			
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	86,366,117	-	-	86,366,117
Short-term deposits	26,983,859	-	-	26,983,859
Other financial assets	60,941,698	-	-	60,941,698
Accrued commission income	939,190	-	-	939,190
Statutory deposit	20,000,000	-	-	20,000,000
	195,230,864	-	-	195,230,864

Shareholders' assets as at December 31, 2012

	Non-investment grade			
	Investment grade	Satisfactory	Past due but not impaired	Total
Cash and cash equivalents	60,000,000	-	-	60,000,000
Short-term deposits	26,475,994	-	-	26,475,994
Other financial assets	64,800,506	-	-	64,800,506
Accrued commission income	1,167,878	-	-	1,167,878
Statutory deposit	20,000,000	-	-	20,000,000
	172,444,378	-	-	172,444,378

Liquidity risk

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

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

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

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

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

As at December 31, 2013

	Less than 12 months	More than 12 months	Total
Insurance operations financial assets			
Cash and cash equivalents	119,381,611	-	119,381,611
Insurance premium receivable	79,108,899	-	79,108,899
Reinsurers' share of outstanding claims	105,122,990	-	105,122,990
Accrued commission income	34,675	-	34,675
Other assets	7,407,020	-	7,407,020
Total insurance operations financial assets	311,055,195	-	311,055,195
Insurance operations financial liabilities			
Outstanding claims	181,437,542	-	181,437,542
Accrued expenses and other liabilities	29,283,978	-	29,283,978
Reinsurance balances payables	18,361,378	-	18,361,378
Total insurance operations financial liabilities	229,082,898	-	229,082,898

As at December 31, 2012

	Less than 12 months	More than 12 months	Total
Insurance operations financial assets			
Cash and cash equivalents	81,786,405	-	81,786,405
Insurance premium receivable	62,065,879	-	62,065,879
Reinsurers' share of outstanding claims	46,153,014	-	46,153,014
Accrued commission income	77,903	-	77,903
Other assets	2,041,591	-	2,041,591
Total insurance operations financial assets	192,124,792	-	192,124,792
Insurance operations financial liabilities			
Outstanding claims	107,273,881	-	107,273,881
Accrued expenses and other liabilities	27,238,932	-	27,238,932
Reinsurance balances payable	8,197,770	-	8,197,770
Total insurance operations financial liabilities	142,710,583	-	142,710,583

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

As at December 31, 2013

	Less than 12 months	More than 12 months	Total
Shareholders' financial assets			
Cash and cash equivalents	86,366,117	-	86,366,117
Short term deposits	26,983,859	-	26,983,859
Other financial assets	54,441,698	6,500,000	60,941,698
Accrued commission income	939,190	-	939,190
Statutory deposit	-	20,000,000	20,000,000
Total shareholders' financial assets	168,730,864	26,500,000	195,230,864
Shareholders' financial liabilities			
Accrued expenses and other liabilities	2,246,191	-	2,246,191
Total shareholders' financial liabilities	2,246,191	-	2,246,191

As at December 31, 2012

	Less than 12 months	More than 12 months	Total
Shareholders' financial assets			
Cash and cash equivalents	60,000,000	-	60,000,000
Short term deposits	26,475,994	-	26,475,994
Other financial assets	58,300,506	6,500,000	64,800,506
Accrued commission income	1,167,878	-	1,167,878
Statutory deposit	-	20,000,000	20,000,000
Total shareholders' financial assets	145,944,378	26,500,000	172,444,378
Shareholders' financial liabilities			
Accrued expenses and other liabilities	2,511,712	-	2,511,712
Total shareholders' financial liabilities	2,511,712	-	2,511,712

Market price risk

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

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on certain of its cash and balances with banks. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its cash and investments are denominated. The effective commission rate at the year end was 1.1% (2012: 1.1%).

All commission bearing financial instruments as at the year end have a maturity of less than 1 year except for bond investment held to maturity. The sensitivity of the statement of the shareholders' operations is the approximate effect of the assumed changes in commission rates on the Company's loss for the year, based on the floating rate financial assets held a December 31, 2013.

The sensitivity of the statement of shareholders' operations to a decrease in commission rate of 10 basis points (reasonably possible changes), with all other variables held constant, will have an effect of decrease in profits by Saudi Riyal 0.19 million (2012: Saudi Riyal 0.17 million).

Foreign currency risk

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

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure

23 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Categories of financial instruments

a) Insurance operations

	2013	2012
Financial assets		
Cash and cash equivalents	119,381,611	81,786,405
Premiums and insurance balances receivable	79,108,899	62,065,879
Reinsurers' share of outstanding claims	105,122,990	46,153,014
Accrued commission income	34,675	77,903
Other assets	7,407,020	2,041,591
Total insurance operations financial assets	311,055,195	192,124,792
Financial liabilities		
Outstanding claims	181,437,542	107,273,881
Accrued expenses and other liabilities	29,283,978	27,238,932
Reinsurance balances payable	18,361,378	8,197,770
	229,082,898	142,710,583

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

b) Shareholders' operations

	2013	2012
Financial assets		
Cash and cash equivalents	86,366,117	60,000,000
Short term deposits	26,983,859	26,475,994
Other financial assets	60,941,698	64,800,506
Accrued income	939,190	1,167,878
	175,230,864	152,444,378
Financial liabilities		
Accrued expenses and other liabilities	2,246,191	2,511,712
	2,246,191	2,511,712

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

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

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

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

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

23. Fair values of financial instruments (Continued)

As at December 31, 2013

	Level 1	Level 2	Level 3	Total fair value
Financial instruments				
Held to maturity				
Debt securities	-	6,500,000	-	6,500,000
Investments available for sale				
Equity securities	51,218,620	-	2,723,078	53,941,698
Advances				
Loan	-	-	500,000	500,000
Total	51,218,620	6,500,000	3,223,078	60,941,698

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

(All amounts in Saudi Riyals unless otherwise stated)

As at December 31, 2012

	Level 1	Level 2	Level 3	Total fair value
Financial instruments				
Held to maturity				
Debt securities	-	6,500,000	-	6,500,000
Investments available for sale				
Equity securities	55,077,428	-	2,723,078	57,800,506
Advances				
Loan	-	-	500,000	500,000
Total	55,077,428	6,500,000	3,223,078	64,800,506

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

24. Earnings per share

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

Basic and diluted earnings per share from shareholders' comprehensive operations is calculated by dividing total comprehensive income for the year by weighted average number of ordinary shares outstanding during the year.

25. Contingencies

During 2011, one of the Company's agents filed a law suit of Saudi Riyal 74.7 million against the Company towards unsubstantiated amounts and damages as a result of alleged breach of agreement. Management believes that the outcome of this case in plaintiff's favour is remote as there is no valid base for this case; accordingly no provision has been made.

26. Comparative figures

Certain of the comparative year amounts have been reclassified to conform with the presentation in the current year.

27. Approval of the financial statements

The financial statements have been approved by the Board of Directors on February 16, 2014.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

AND INDEPENDENT AUDITORS' REPORT



P.O. Box 3795
4th Floor, Fluor Building
Al Khobar 31952
Saudi Arabia

Tel : +966 (3) 849 9500
Fax: +966 (3) 882 7224
www.ey.com/me
Registration No. 45



PricewaterhouseCoopers
Al Hugayet Tower
P.O. Box 467, Dhahran Airport 31932
Kingdom of Saudi Arabia

Telephone : +966 (3) 849-6311
Facsimile : +966 (3) 849-6281
www.pwc.com/middle-east
Registration No. 25

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Saudi United Cooperative Insurance Company (Wala'a)

Scope of audit:

We have audited the accompanying statement of financial position of Saudi United Cooperative Insurance Company (Wala'a) (a Saudi joint stock company) (the "Company") as at December 31, 2012 and the related statements of insurance operations, shareholders' income, shareholders' comprehensive income, changes in shareholders' equity, insurance operations' cash flows and shareholders' 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 Article 123 of the Regulations for Companies and presented to us together with all information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion:

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

- Present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and
- Comply in all material respects with the requirements of the Regulations for Companies and the Company's by-laws so far as they affect the preparation and presentation of the financial statements.

Emphasis of matter:

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

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

Ernst & Young

Abdulaziz Saud Alshubaibi
License Number 339

Februaury 18, 2013



SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2012	2011
INSURANCE OPERATIONS' ASSETS			
Property and equipment	4	3,207,792	2,314,729
Premiums and reinsurance balances receivable	5	62,065,879	57,259,911
Reinsurers' share of unearned premiums	11	44,284,121	74,893,102
Reinsurers' share of outstanding claims	12	46,153,014	45,360,562
Deferred policy acquisition costs		9,720,768	13,759,195
Due from an affiliate		1,871,945	-
Accrued commission income		77,903	111,964
Prepaid expenses and other assets	6	4,578,493	4,880,604
Cash and cash equivalents	7	81,786,405	137,715,642
TOTAL INSURANCE OPERATIONS' ASSETS		253,746,320	336,295,709
SHAREHOLDERS' ASSETS			
Statutory deposit	8	20,000,000	20,000,000
Other financial assets	9	64,800,506	51,396,722
Short-term deposits	10	26,475,994	40,000,000
Accrued commission income		1,167,878	757,940
Due from insurance operations		10,420,017	20,808,921
Cash and cash equivalents	7	60,000,000	26,272,575
TOTAL SHAREHOLDERS' ASSETS		182,864,395	159,236,158
TOTAL ASSETS		436,610,715	495,531,867

(Continued)

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2012	2011
INSURANCE OPERATIONS' LIABILITIES			
Liabilities arising from insurance contracts:			
Unearned premiums	11	91,115,733	137,803,035
Outstanding claims	12	107,273,881	95,090,233
Total liabilities arising from insurance contracts		198,389,614	232,893,268
End-of-service indemnities	13	2,180,634	1,490,883
Reinsurance balances payable		8,197,770	52,450,505
Unearned reinsurance commission	14	5,198,133	4,860,735
Accrued expenses and other liabilities	15	27,238,932	23,190,066
Due to shareholders' operations		10,420,017	20,808,921
TOTAL INSURANCE OPERATIONS' LIABILITIES		251,625,100	335,694,378
Insurance operations' surplus			
Accumulated surplus		2,121,220	601,331
TOTAL INSURANCE OPERATIONS' LIABILITIES AND SURPLUS		253,746,320	336,295,709
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Accrued expenses and other liabilities	15	7,727,200	4,750,569
Shareholders' equity			
Share capital	17	200,000,000	200,000,000
Accumulated losses		(36,128,195)	(52,138,055)
Fair value reserve		11,265,390	6,623,644
Total shareholders' equity		175,137,195	154,485,589
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		182,864,395	159,236,158
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		436,610,715	495,531,867

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2012	2011
REVENUES			
Gross premiums written	19	234,092,747	278,560,419
Reinsurance premiums ceded	19	(75,468,993)	(124,749,911)
Net premiums written		158,623,754	153,810,508
Changes in unearned premiums, net	11	19,237,866	10,621,079
Net premiums earned	11	177,861,620	164,431,587
Reinsurance commission		10,452,804	15,194,949
Other underwriting income		164,353	310,286
Total revenues		188,478,777	179,936,822
UNDERWRITING COSTS AND EXPENSES			
Gross claims paid	12	121,739,998	116,107,416
Reinsurers' share of claims paid	12	(31,784,985)	(24,905,939)
Net claims paid		89,955,013	91,201,477
Changes in outstanding claims, net	12	11,391,196	10,073,913
Net incurred claims	12	101,346,209	101,275,390
Policy acquisition costs		23,155,762	27,041,372
Excess of loss expenses		5,642,298	5,993,864
Other expenses		5,103,054	3,767,318
Total underwriting costs and expenses		135,247,323	138,077,944
Net underwriting income		53,231,454	41,858,878
OTHER OPERATING EXPENSES, NET			
Operating and administrative salaries		(25,109,963)	(21,176,141)
General and administrative expenses	20	(13,761,496)	(15,082,190)
Commission income on bank deposits		838,900	412,768
Total other operating expenses, net		(38,032,559)	(35,845,563)
Net surplus from insurance operations		15,198,895	6,013,315
Shareholders' appropriation of surplus		(13,679,006)	(5,411,984)
Net results from insurance operations after appropriation of surplus		1,519,889	601,331

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' INCOME

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2012	2011
Net surplus transferred from insurance operations		13,679,006	5,411,984
Commission income on bank deposits		678,404	601,176
Commission income on held-to-maturity investments		188,500	188,500
Realized fair value changes on available-for-sale investments		7,212,038	-
General and administrative expenses	20	(2,998,088)	(1,623,193)
Shareholders' net income for the year		18,759,860	4,578,467
Basic and diluted earnings per share	24	0.94	0.23
Weighted average number of outstanding shares		20,000,000	20,000,000

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' COMPREHENSIVE INCOME

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2012	2011
Shareholders' net income for the year		18,759,860	4,578,467
Unrealized fair value changes on available-for-sale investments		4,641,746	1,653,972
Provision for zakat and income tax	16	(2,750,000)	(1,874,997)
Total comprehensive income for the year		20,651,606	4,357,442
Basic and diluted earnings per share	24	1.03	0.22
Weighted average number of outstanding shares		20,000,000	20,000,000

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Accumulated losses	Fair value reserve	Total
Balance at January 1, 2011	200,000,000	(54,841,525)	4,969,672	150,128,147
Net income for the year	-	4,578,467	-	4,578,467
Net unrealised gain on available-for-sale investments	-	-	1,653,972	1,653,972
Provision for zakat and income tax	-	(1,874,997)	-	(1,874,997)
Balance at December 31, 2011	200,000,000	(52,138,055)	6,623,644	154,485,589
Balance at January 1, 2012	200,000,000	(52,138,055)	6,623,644	154,485,589
Net income for the year	-	18,759,860	-	18,759,860
Net unrealised gain on available-for-sale investments	-	-	4,641,746	4,641,746
Provision for zakat and income tax	-	(2,750,000)	-	(2,750,000)
Balance at December 31, 2012	200,000,000	(36,128,195)	11,265,390	175,137,195

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus from insurance operations		15,198,895	6,013,315
Adjustments for:			
Depreciation	4	1,244,224	1,100,282
Gain on disposal of property and equipment		(4,388)	-
End-of-service indemnities, net		689,751	216,573
		17,128,482	7,330,170
Changes in operating assets and liabilities:			
Premiums and reinsurance balances receivables		(4,805,968)	(1,764,344)
Reinsurers' share of unearned premiums		30,608,981	(43,969,472)
Reinsurers' share of outstanding claims		(792,452)	(3,335,105)
Deferred policy acquisition costs		4,038,427	(213,664)
Due from an affiliate		(1,871,945)	-
Prepaid expenses and other assets		302,111	(1,984,199)
Accrued commission income		34,061	(94,542)
Reinsurance balances payables		(44,252,735)	22,364,603
Unearned premiums		(46,687,302)	33,348,393
Unearned reinsurance commission		337,398	(1,874,694)
Outstanding claims		12,183,648	13,409,018
Accrued expenses and other liabilities		4,048,866	11,146,520
Net cash (used in) generated from operating activities		(29,728,428)	34,362,684
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4	(2,144,199)	(872,694)
Proceeds from disposal of property and equipment		11,300	-
Net cash used in investing activities		(2,132,899)	(872,694)
CASH FLOW FROM FINANCING ACTIVITY			
Due from shareholders' operations		(24,067,910)	17,985,537
Net cash (used in) generated from financing activities		(24,067,910)	17,985,537
Net (decrease) increase in cash and cash equivalents		(55,929,237)	51,475,527
Cash and cash equivalents at the beginning of the year		137,715,642	86,240,115
Cash and cash equivalents at the end of the year	7	81,786,405	137,715,642

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31,	
		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		18,759,860	4,578,467
Adjustments for:			
Commission income		(678,404)	(601,176)
Income from available-for-sale investments		(7,212,038)	-
		10,869,418	3,977,291
Changes in operating assets and liabilities:			
Due from insurance operations		10,388,904	(23,397,521)
Accrued expenses and other liabilities		1,672,809	55,480
Cash generated from (used in) operations		22,931,131	(19,364,750)
Zakat paid	16	(1,446,178)	(915,698)
Cash generated from (used in) operating activities		21,484,953	(20,280,448)
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term deposits		13,524,006	-
Movement in other financial assets		-	(50,000)
Purchase of investments, net		(1,550,000)	-
Commission income received		268,466	517,624
Net cash generated from investing activities		12,242,472	467,624
Net increase (decrease) in cash and cash equivalents		33,727,425	(19,812,824)
Cash and cash equivalents at the beginning of the year		26,272,575	46,085,399
Cash and cash equivalents at the end of the year	7	60,000,000	26,272,575
Non-cash transaction:			
Unrealised fair value changes on available-for-sale investments		4,641,746	1,653,972

The accompanying notes from 1 to 27 form an integral part of these financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

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

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

2. Summary of significant accounting policies

Significant accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of available-for-sale investments at their fair values. Accordingly, these financial statements are not intended to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia, i.e. in accordance with the standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

As required by the Law, the Company maintains separate accounts for insurance operations and shareholders' operations. The physical custody and title of all assets related to the insurance operations and shareholders' operations are held by the Company. Revenues and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and board of directors of the Company.

As per the by-laws of the Company, the surplus arising from the insurance operations is distributed as follows:

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

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

The accounting policies used in the preparation of these financial statements are consistently applied for all years presented, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which had no significant financial impact on the financial statements of the Company.

Standard	Description
IAS 12	Amendments to Income taxes - Deferred taxes: Recovery of underlying assets
IFRS 7	Financial instruments: Disclosures (Transfers of Financial Assets)
IAS 34	Interim Financial Reporting
2.2.1	Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company

The Company's management decided not to choose the early adoption of the following new and amended standards issued which will become effective for the periods commencing on or after January 1, 2013.

Standard	Description
Amendments to IAS 1	Presentation of Financial Statements
Amendments to IAS 19	Employee Benefits
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 28	Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments Classification and measurement
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 32 and IFRS 7	Offsetting of Financial Assets and Financial Liabilities

The application of the above standards and amendments are not expected to have material impact on the financial statements as and when they become effective.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

1.3 Use of estimates in the preparation of financial statements

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

1.4 Product classification

2.4.1 Insurance contracts

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

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

2.4.2 Investment contracts

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

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

1.5 Segment reporting

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has four reportable operating segments as follows: Medical insurance provides coverage for health insurance. Motor insurance provides coverage for vehicles' insurance. Property insurance provides coverage for property insurance. General insurance provides coverage for engineering, fire, marine and other general insurance.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

No inter-segment transactions occurred during the period. If any transaction was to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

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

1.6 Functional and presentation currency

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

1.7 Property and equipment

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

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

The assets' useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of insurance operations under other income.

1.8 Financial Assets

2.8.1 Classification

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

a) Loans and receivables

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

b) Available-for-sale investments

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

c) Investments in held to maturity

Investments in Held-to-maturity are financial assets which have fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity.

2.8.2 Recognition and measurement

Purchases and sale of available-for-sale investments are recognised on the trade-date, which is the date on which the Company commits to purchase or sell the investment. Available-for-sale investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at fair value. Changes in the fair value of available-for-sale investments are recognised in statements of shareholders' comprehensive income and financial position for insurance operations. Investments in Held-to-maturity and Loans and receivable are carried at amortized costs using effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on investments in Held-to-maturity is recognised in the statement of shareholders' comprehensive income or statement of insurance operations, as appropriate, when the investment is derecognized or impaired.

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

2.8.3 Determination of fair values

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

2.8.4 Impairment of assets

(a) Financial assets carried at amortised cost

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

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

(b) Available-for-sale investments

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

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

1.9 Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired, or the Company retains the right to receive cash flows from the asset and has assumed an obligation to pay the received cash flows in full, without material delay to a third party under a 'pass-through' arrangement; and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

1.10 Premiums earned and commission income

Premiums are taken into income over the terms of the respective policies on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage.

Premiums and commission income, which relate to unexpired risks beyond the end of the financial year, are reported as unearned and deferred based on the following methods: Premium written in last three months of the financial year for marine cargo business; and Actual number of days for other lines of business.

1.11 Premiums receivable

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

1.12 Reinsurance

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

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

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

1.13 Deferred policy acquisition costs

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

1.14 Claims

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

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

1.15 Liability adequacy test

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

net of related deferred policy acquisition costs. In performing these tests, management uses current best estimates of future contractual cash flows and claims handling and administration expenses. Any deficiency in the carrying amounts is immediately charged to the statement of insurance operations initially by writing off the related deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired 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.

1.16 Short-term deposits

These comprise of deposits with banks with maturity periods of less than one year and more than three months from the date of acquisition.

1.17 Cash and cash equivalents

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

1.18 Unearned reinsurance commission

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

1.19 Provisions

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

1.20 Accrued and other liabilities

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

1.21 Payables

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

1.22 End-of-service indemnities

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

1.23 Zakat and taxes

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income tax attributable to the foreign shareholders. Provision for zakat and income tax is charged to the statement of shareholders' comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

1.24 Derecognition of Financial liabilities

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

1.25 Offsetting

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

1.26 Revenue Recognition

(a) Recognition of premium and commission revenue

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

Premiums earned on reinsurance assumed, if any, are recognised as revenue in the same manner as if the reinsurance premiums were considered to be gross premiums.

(b) Commission income

Commission income from short-term deposits is recognized on a time proportion basis using the effective interest rate method.

(c) Dividend income

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

1.27 Leasing

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

2.28 Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales of financial assets are transactions that require settlement of assets within the time frame generally established by regulation or convention in the market place.

3. Critical accounting estimates and judgments

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on quarterly basis.

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

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 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.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

4. Property and equipment

2012	Computer equipment and software	Furniture, fixture and office equipment	Vehicles	Total
Cost				
January 1, 2012	2,554,062	2,629,509	175,350	5,358,921
Additions	514,437	1,429,942	199,820	2,144,199
Disposals	-	(65,000)	-	(65,000)
At December 31, 2012	3,068,499	3,994,451	375,170	7,438,120
Accumulated depreciation				
January 1, 2012	1,559,927	1,382,633	101,632	3,044,192
Charge for the year	536,033	640,392	67,799	1,244,224
Disposals	-	(58,088)	-	(58,088)
At December 31, 2012	2,095,960	1,964,937	169,431	4,230,328
Net book value				
December 31, 2012	972,539	2,029,514	205,739	3,207,792
2011	Computer equipment and software	Furniture, fixture and office equipment	Vehicles	Total
Cost				
January 1, 2011	2,260,705	2,070,172	155,350	4,486,227
Additions	293,357	559,337	20,000	872,694
At December 31, 2011	2,554,062	2,629,509	175,350	5,358,921
Accumulated depreciation				
January 1, 2011	976,588	907,118	60,204	1,943,910
Charge for the year	583,339	475,515	41,428	1,100,282
At December 31, 2011	1,559,927	1,382,633	101,632	3,044,192
Net book value				
December 31, 2011	994,135	1,246,876	73,718	2,314,729

5. Premiums and insurance balances receivable

	2012	2011
Premiums receivable	73,594,210	66,242,999
Insurance and reinsurance receivables	1,206,173	1,135,052
Allowance for doubtful debts	(12,734,504)	(10,118,140)
	62,065,879	57,259,911

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

Movement in allowance for doubtful debts was as follows:

	2012	2011
January 1,	10,118,140	2,981,412
Provided during the year (Note 22)	2,616,364	7,136,728
December 31,	12,734,504	10,118,140

5. Premiums and insurance balances receivable (continued)

The aging of receivables arising from insurance and reinsurance contracts is as follows:

Insurance premium receivables

Past due but not impaired

	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2012	61,954,360	33,789,473	15,946,634	10,435,883	1,782,370
2011	56,599,655	27,634,582	17,974,779	9,937,334	1,052,960

Insurance and reinsurance receivables

Past due but not impaired

	Total	Neither impaired nor past due	91-180 days	181-360 days	More than 360 days
2012	111,519				111,519
2011	660,256		564,739		95,517

Premiums and reinsurance balances receivables comprise a large number of customers mainly within the Kingdom of Saudi Arabia and reinsurance companies both in Kingdom of Saudi Arabia and Europe, respectively. Premiums and reinsurance balances receivable include Saudi Riyal 2,188,872 (December 31, 2011: Saudi Riyal 2,790,779) due in foreign currencies, mainly US dollars. The Company's terms of business generally require premiums to be settled within 90 days. Arrangements with reinsurers normally require settlement if the balance exceeds a certain agreed amount. No individual or company accounts for more than 14.4% of the premiums receivable as at December 31, 2012 (2011: 14.2%). In addition, the five largest customers account for 46% of the premiums receivable as at December 31, 2012 (2011: 54%).

Unimpaired receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

6. Prepaid expenses and other assets

	2012	2011
Prepaid rent	949,295	626,235
Prepaid fees	750,035	1,476,049
Advances	2,709,517	2,476,198
Deposits	145,690	97,852
Other	23,956	204,270
	4,578,493	4,880,604

7. Cash and cash equivalents

	2012	2011
Insurance operations		
Cash in hand	72,000	34,883
Cash at banks	41,650,405	37,616,759
Short-term deposits	40,064,000	100,064,000
	81,786,405	137,715,642
	2012	2011
Shareholders' operations		
Cash at banks	60,000,000	839,063
Short-term deposits	-	25,433,512
	60,000,000	26,272,575

Short-term deposits are placed with local and foreign banks with an original maturity of less than three months from the date of acquisition and earn financial income at an average rate of 0.8% to 1.1% (2011: 0.65% to 0.9%) per annum.

8. Statutory deposit

The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the Law. This statutory deposit cannot be withdrawn without the consent of SAMA.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

9. Other financial assets

The Company's other financial assets are classified as follows:

	2012	2011
Held-to-maturity	6,500,000	6,500,000
Available-for-sale	57,800,506	44,346,722
Advances	500,000	550,000
	64,800,506	51,396,722

The fair values of the investments approximate their carrying values at December 31, 2012 and 2011.

Held-to-maturity investments represent fixed rate bonds that are traded in an interbank market within Saudi Arabia and values are determined according to such market, when available, or through an appropriate pricing model. These fixed rate bonds are with a maturity period of 10 years (callable after 5 years December 2014). Management believes that fair value of these investments approximates the carrying value.

Available-for-sale represent investments in quoted securities in domestic market. Information for this managed fund is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its investment in managed fund to assess whether impairment has occurred in the value of its investment and based on specific information available in respect of this fund and its operations, management is of the view that investment in the managed fund has not suffered any impairment.

10. Short-term deposits

The short-term deposits which are denominated in Saudi Riyals, are made for varying periods between 3 months and 12 months depending on the cash requirements of the Company, and earn interest at an effective commission rate of 1.1% at December 31, 2012 (December 31, 2011: 0.83%). Short-term deposits are placed with counterparties who have investment grade rating.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

11. Unearned premiums

	Year ended December 31,	
	2012	2011
At January 1,		
Unearned premium	137,803,035	104,454,642
Reinsurers' share of unearned premiums	(74,893,102)	(30,923,630)
	62,909,933	73,531,012
Net written premiums during the year	158,623,754	153,810,508
Net earned premiums during the year	(177,861,620)	(164,431,587)
Changes in unearned premium, net	(19,237,866)	(10,621,079)
At December 31,		
Unearned premium	91,115,733	137,803,035
Reinsurers' share of unearned premiums	(44,284,121)	(74,893,102)
	46,831,612	62,909,933

12. Outstanding claims

	Gross	2012	Net
		Reinsurers' share	
Claims			
Balance, beginning of the year	(95,090,233)	45,360,562	(49,729,671)
Claims settled during the year	121,739,998	(31,784,985)	89,955,013
Balance, end of the year	107,273,881	(46,153,014)	61,120,867
Claims incurred during the year	133,923,646	(32,577,437)	101,346,209
Analysis of outstanding claims			
At December 31,			
At the beginning of the year	(95,090,233)	45,360,562	(49,729,671)
Reported claims	51,943,616	(22,521,067)	29,422,549
Claims incurred but not reported	55,330,265	(23,631,947)	31,698,318
Changes in outstanding claims, net	12,183,648	(792,452)	11,391,196

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

	Gross	2011	Net
		Reinsurers' share	
Claims			
Balance, beginning of the year	(58,049,270)	18,393,512	(39,655,758)
Claims settled during the year	116,107,416	(24,905,939)	91,201,477
Balance, end of the year	95,090,233	(45,360,562)	49,729,671
Claims incurred during the year	153,148,379	(51,872,989)	101,275,390
Analysis of outstanding claims			
At December 31,			
At the beginning of the year	(58,049,270)	18,393,512	(39,655,758)
Reported claims	46,500,443	(21,728,617)	24,771,826
Claims incurred but not reported	48,589,792	(23,631,947)	24,957,845
Changes in outstanding claims, net	37,040,965	(26,967,052)	10,073,913

13. End-of-service indemnities

	2012	2011
January 1,	1,490,883	1,274,310
Charged during the year	933,155	726,923
Paid during the year	(243,404)	(510,350)
December 31,	2,180,634	1,490,883

14. Unearned reinsurance commission

	2012	2011
At January 1,	4,860,735	6,735,429
Commission received during the year	10,790,202	13,320,255
Commission earned during the year	(10,452,804)	(15,194,949)
At December 31,	5,198,133	4,860,735

15. Accrued expenses and other liabilities

a) Insurance operations

	2012	2011
Accrued expenses	27,238,932	22,917,097
Due to an affiliate	-	272,969
	27,238,932	23,190,066

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

b) Shareholders' operations

Accrued expenses	1,747,500	229,000
Zakat and income tax (Note 16)	5,215,488	3,911,666
Other payables	764,212	609,903
	7,727,200	4,750,569

16. Zakat and income tax matters

(i) Provision for zakat and income tax

Provision for zakat has been made at 2.5% of approximate zakat base attributable to the Saudi shareholders of the Company. Income tax is payable at 20% of the adjusted net income attributable to the foreign shareholders of the Company.

The principal elements of approximate zakat base are as follows:

	2012	2011
Shareholders' equity	154,485,589	150,128,147
Non-current liabilities	2,180,634	1,490,883
Non-current assets	(85,585,220)	(71,287,807)
Approximate zakat base	71,081,003	80,331,223

Movements in provision for zakat and income tax as at December 31, 2012 and 2011 are as follows:

2012	Zakat	Income tax	Total
Balance, beginning of the year	3,708,494	203,172	3,911,666
Payments	(1,235,686)	(210,492)	(1,446,178)
Provision for the year	2,546,828	203,172	2,750,000
Balance, end of the year	5,019,636	195,852	5,215,488

2011	Zakat	Income tax	Total
Balance, beginning of the year	2,952,367	-	2,952,367
Payments	(915,698)	-	(915,698)
Provision for the year	1,671,825	203,172	1,874,997
Balance, end of the year	3,708,494	203,172	3,911,666

(ii) Status of zakat and income tax certificate

The Company has submitted its zakat and income tax returns upto the year ended December 31, 2011 and obtained the required certificate from the DZIT.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

17. Share capital

The authorized, issued and paid up share capital of the Company is Saudi Riyal 200 million at the year end consisting of 20 million shares of Saudi Riyal 10 each.

18. Statutory reserve

In accordance with the Law, the Company is required to transfer not less than 20% of its annual net income, after adjusting accumulated losses, to a legal reserve until such reserve amounts to 100% of the paid-up share capital of the Company. No such transfer has been made during the year due to accumulated losses as at December 31, 2012.

19. Related party transactions and balances

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

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year.

		Sales of insurance contracts	Amounts owed by related parties	Amounts owed to related parties
Directors and related parties	2012	1,810,711	561,589,146,753	-
	2011	2,972,976		46,770
Key management personnel	2012	9,449,089	--	-
	2011			-
Due from/to an affiliate	2012	--	2,164,251,470,358	-
	2011			

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

For the years ended December 31, 2012 and 2011, the Company has not raised any allowance for doubtful debts relating to amount owed by related parties as management is confident regarding recoverability of relevant balances.

Compensation of key management personnel of the Company:

	2012	2011
Short-term benefits	2,552,077	2,375,161
Employees' end of service indemnity	456,597	327,206
	3,008,674	2,702,367

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

20. General and administrative expenses

a) Insurance operations

	Year ended December 31,	
	2012	2011
Doubtful debts	2,616,364	7,136,728
Legal and professional fees	3,972,360	2,056,868
Rent expenses	1,979,161	1,358,509
Depreciation	1,244,224	1,100,282
Office supplies	484,028	879,318
Utilities	847,168	860,104
Marketing, advertising and promotion	214,269	367,123
Withholding tax	314,187	366,698
Training and education	542,836	215,264
Information technology expenses	323,198	190,876
Other expenses	1,223,701	550,420
	13,761,496	15,082,190

b) Shareholders' operations

	Year ended December 31,	
	2012	2011
Employee costs	1,200,000	1,200,000
Board members fee	1,700,000	-
Other expenses	98,088	423,193
	2,998,088	1,623,193

21. Segmental reporting

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

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

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

21. Segmental reporting (Continued)

Operating segments	Medical	Motor	Property	Others	Total
For the year ended December 31, 2012					
Gross premiums written	64,705,279	59,574,320	54,485,071	55,328,077	234,092,747
Net premiums written	64,238,833	58,634,095	2,793,131	32,957,695	158,623,754
Net premiums earned	78,513,050	60,827,717	2,575,769	35,945,084	177,861,620
Reinsurance commission	-	188,045	6,312,219	3,952,540	10,452,804
Other underwriting income	1,250	112,920	8,980	41,203	164,353
Total revenues	78,514,300	61,128,682	8,896,968	39,938,827	188,478,777
Gross claims paid	(34,386,071)	(58,087,547)	(7,789,792)	(21,476,588)	(121,739,998)
Reinsurers' share of claims paid	14,995,122	2,153,556	6,335,616	8,300,691	31,784,985
Changes in outstanding claims	(7,326,448)	(2,550,229)	(39,522)	(1,474,997)	(11,391,196)
Net claims incurred	(26,717,397)	(58,484,220)	(1,493,698)	(14,650,894)	(101,346,209)
Other underwriting expenses	(11,760,416)	(8,002,057)	(3,894,002)	(10,244,638)	(33,901,113)
Other general and administrative expenses (unallocated)	-	-	-	-	(38,871,460)
Surplus from insurance operations	40,036,487	(5,357,595)	3,509,268	15,043,295	14,359,995
Commission income on bank deposits	-	-	-	-	838,900
Net surplus from insurance operations	-	-	-	-	15,198,895

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

21. Segmental reporting (Continued)

As at December 31, 2012	Medical	Motor	Property	Others	Total
Insurance operations' assets					
Reinsurers' share of unearned premiums	(523,008)	-	21,477,960	23,329,169	44,284,121
Reinsurers' share of outstanding claims	5,728,240	1,673,687	9,584,618	29,166,469	46,153,014
Deferred policy acquisition costs	4,766,098	1,531,124	956,425	2,467,121	9,720,768
Unallocated assets	-	-	-	-	153,588,417
Total assets	9,971,330	3,204,811	32,019,003	54,962,759	253,746,320
Insurance operations' liabilities					
Unearned premiums	21,918,838	18,310,943	22,011,958	28,873,994	91,115,733
Outstanding claims	19,605,388	32,456,920	12,190,559	43,021,014	107,273,881
Unearned reinsurance commission	219,998	-	2,389,327	2,588,808	5,198,133
Unallocated liabilities	-	-	-	-	50,158,573
Total liabilities	41,744,224	50,767,863	36,591,844	74,483,816	253,746,320
For the year ended December 31, 2011	Medical	Motor	Property	Others	Total
Gross premiums written	98,541,201	63,415,029	28,452,127	88,152,062	278,560,419
Net premiums written	53,610,787	62,292,907	3,030,819	34,875,995	153,810,508
Net premiums earned	28,964,930	98,936,609	2,839,050	33,690,998	164,431,587
Reinsurance commission	4,372,817	224,119	5,482,742	5,115,271	15,194,949
Other underwriting income	9,871	255,648	8,590	36,177	310,286
Total revenues	33,347,618	99,416,376	8,330,382	38,842,446	179,936,822
Gross claims paid	(19,745,514)	(72,671,042)	(6,530,733)	(17,160,127)	(116,107,416)
Reinsurers' share of claims paid	10,213,366	281,244	4,489,349	9,921,980	24,905,939
Changes in outstanding claims	(2,418,141)	(4,522,672)	652,806	(3,785,906)	(10,073,913)
Net claims incurred	(11,950,289)	(76,912,470)	(1,388,578)	(11,024,053)	(101,275,390)
Other underwriting expenses	(4,726,700)	(19,140,017)	(4,024,954)	(8,910,883)	(36,802,554)
Other general and administrative expenses (unallocated)	-	-	-	-	(36,258,331)
Surplus from insurance operations	16,670,629	3,363,889	2,916,850	18,907,510	5,600,547
Commission income from bank deposits	-	-	-	-	412,768
Net surplus from insurance operations	-	-	-	-	6,013,315

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

21. Segmental reporting (Continued)

	Medical	Motor	Property	Others	Total
As at December 31, 2011					
Insurance operations' assets					
Reinsurers' share of unearned premiums	32,500,262	-	7,739,543	34,653,297	74,893,102
Reinsurers' share of outstanding claims	5,839,978	1,176,470	9,098,579	29,245,535	45,360,562
Deferred policy acquisition cost	7,683,171	1,853,365	1,200,145	3,022,514	13,759,195
Unallocated assets	-	-	-	-	202,282,850
Total assets	46,023,411	3,029,835	18,038,267	66,921,346	336,295,709
Insurance operations' liabilities					
Unearned premiums	66,056,780	20,496,766	7,757,742	43,491,747	137,803,035
Outstanding claims	12,370,387	29,409,474	11,264,998	42,045,374	95,090,233
Unearned reinsurance commission	219,998	-	1,921,218	2,719,519	4,860,735
Unallocated liabilities	-	-	-	-	98,541,706
Total liabilities	78,647,165	49,906,240	20,943,958	88,256,640	336,295,709

Geographical segments

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

22. 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, interest 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.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

Senior management

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

Audit Committee and Internal Audit Department

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

The 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

Significant insurance risks will be reported through the Company risk management framework. The Company undertakes a quarterly review of their insurance risks of all lines of business, the output from which is a key input into the risk-based capital assessment.

The Executive Team monitors and develops the management of insurance risk in the insurance business, and assesses the aggregate risk exposure. It is responsible for the development, implementation, and review of the Company policies for underwriting, claims, reinsurance and reserving that operates within the Company risk management framework.

Insurance claims reserving

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

Frequency and amounts of claims

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

Reinsurance strategy

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

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

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

The largest five reinsurers account for 70% of the maximum credit exposure at December 31, 2012 (2011: 76%).

Medical

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

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

Motor

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

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

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

Property

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

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

These contracts are underwritten to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such exposure to limit losses for any individual claim upto Saudi Riyal 2 million.

Casualty

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

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

Marine cargo

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

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim upto Saudi Riyal 2 million.

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.

Regulatory framework risk

The operations of the Company are subject to local regulatory requirements in the Kingdom of Saudi Arabia. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise.

Financial risk

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

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

Credit risk

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

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables. Premiums receivable comprise a large number of brokers/customers mainly within Saudi Arabia of which the five largest brokers/customers account for 46% of the receivables as at December 31, 2012 (2011: 42%).

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. Receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the company's exposure to bad debts

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the board of directors.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the minimum possible rating issued by internationally recognized rating agencies that differentiates the investment grade visavis noninvestment grade. Assets that fall outside the range of investment grade are classified as non investment grade (satisfactory) or past due but not impaired.

Insurance operations assets as at December 31, 2012

Neither past due nor impaired

	Investment grade	Non investment grade (satisfactory)	Past due but not impaired	Total
Receivables arising from insurance contracts	-	19,334,723	41,524,983	60,859,706
Receivables arising from reinsurance contracts	-	1,206,173	-	1,206,173
Reinsurers' share of unearned premium	-	44,284,121		44,284,121
Reinsurers' share of outstanding claims	-	46,153,014		46,153,014
Cash and cash equivalents	81,714,405	72,000	-	81,786,405
Accrued commission income	-	77,903	-	77,903
	81,714,405	111,127,934	41,524,983	234,367,322

Insurance operations assets as at December 31, 2011

Neither past due nor impaired

	Investment grade	Non investment grade (satisfactory)	Past due but not impaired	Total
Receivables arising from insurance contracts	-	12,495,446	43,629,413	56,124,859
Receivables arising from reinsurance contracts	-	1,135,052	-	1,135,052
Reinsurers' share of unearned premium	-	74,893,102	-	74,893,102
Reinsurers' share of outstanding claims	-	45,360,562	-	45,360,562
Cash and cash equivalents	137,680,758	34,884	-	137,715,642
Accrued commission income	-	111,964	-	111,964
	137,680,758	134,031,010	43,629,413	315,341,181

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

Shareholders' assets as at December 31, 2012

Neither past due nor impaired

	Investment grade	Non investment grade (satisfactory)	Past due but not impaired	Total
Statutory deposit	20,000,000	-	-	20,000,000
Other financial assets	64,800,506	-	-	64,800,506
Short-term deposits	26,475,994	-	-	26,475,994
Accrued commission income	1,167,878	-	-	1,167,878
Due to shareholders	-	10,420,017	-	10,420,017
Cash and cash equivalents	60,000,000	-	-	60,000,000
	172,444,378	10,420,017	-	182,864,395

Shareholders' assets as at December 31, 2011

Neither past due nor impaired

	Investment grade	Non investment grade (satisfactory)	Past due but not impaired	Total
Statutory deposit	20,000,000	-	-	20,000,000
Other financial assets	51,396,722	-	-	51,396,722
Short-term deposits	40,000,000	-	-	40,000,000
Accrued commission income	757,940	-	-	757,940
Cash and cash equivalents	26,272,575	-	-	26,272,575
	138,427,237	-	-	138,427,237

Liquidity risk

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

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

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

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

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

As at December 31, 2012

	Less than 12 months	More than 12 months	Total
Insurance operations financial assets			
Insurance premium receivable	62,065,879	-	62,065,879
Reinsurers' share of unearned premium	44,284,121	-	44,284,121
Reinsurers' share of outstanding claims	46,153,014	-	46,153,014
Accrued commission income	77,903	-	77,903
Due from affiliates	1,871,945	-	1,871,945
Cash and cash equivalents	81,786,405	-	81,786,405
Total insurance operations financial assets	236,239,267	-	236,239,267
Insurance operations financial liabilities			
Reinsurance balances payables	8,197,770	-	8,197,770
Accrued expenses and other liabilities	27,238,932	-	27,238,932
Unearned premium	91,115,733	-	91,115,733
Outstanding claims	107,273,881	-	107,273,881
Unearned reinsurance commission	5,198,133	-	5,198,133
Total insurance operations financial liabilities	239,024,449	-	239,024,449

As at December 31, 2011

	Less than 12 months	More than 12 months	Total
Insurance operations financial assets			
Insurance premium receivable	57,259,911	-	57,259,911
Reinsurers' share of unearned premium	74,893,102	-	74,893,102
Reinsurers' share of outstanding claims	45,360,562	-	45,360,562
Accrued commission income	111,964	-	111,964
Cash and cash equivalents	137,715,642	-	137,715,642
Total insurance operations financial assets	315,341,181	-	315,341,181
Insurance operations financial liabilities			
Reinsurance balances payable	52,450,505	-	52,450,505
Accrued expenses and other liabilities	23,190,066	-	23,190,066
Unearned premium	137,803,035	-	137,803,035
Outstanding claims	95,090,233	-	95,090,233
Unearned reinsurance commission	4,860,735	-	4,860,735
Total insurance operations financial liabilities	313,394,574	-	313,394,574

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

As at December 31, 2012

	Less than 12 months	More than 12 months	Total
Shareholders' financial assets			
Statutory deposit	-	20,000,000	20,000,000
Accrued commission income	1,167,878	-	1,167,878
Short term deposits	26,475,994	-	26,475,994
Cash and cash equivalents	60,000,000	-	60,000,000
Other financial assets	58,300,506	6,500,000	64,800,506
Total shareholders' financial assets	145,944,378	26,500,000	172,444,378
Shareholders' financial liabilities			
Accrued expenses and other liabilities	2,511,712	-	2,511,712
Total shareholders' financial liabilities	2,511,712	-	2,511,712

As at December 31, 2011

	Less than 12 months	More than 12 months	Total
Shareholders' financial assets			
Statutory deposit	-	20,000,000	20,000,000
Accrued commission income	757,940	-	757,940
Short term deposits	40,000,000	-	40,000,000
Cash and cash equivalents	26,272,575	-	26,272,575
Other financial assets	44,896,722	6,500,000	51,396,722
Total shareholders' financial assets	111,927,237	26,500,000	138,427,237
Shareholders' financial liabilities			
Accrued expenses and other liabilities	838,903	-	838,903
Total shareholders' financial liabilities	838,903	-	838,903

Market price risk

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

The Company limits market risk by maintaining a diversified portfolio and by monitoring developments in equity markets. The Company does not have any significant market risk.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on certain of its cash and balances with banks. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its cash and investments are denominated. The effective commission rate at the year end was 1.1% (2011: 0.83%).

All commission bearing financial instruments as at the year end have a maturity of less than 1 year except for bond investment held to maturity.

The sensitivity of the statement of the shareholders' operations is the approximate effect of the assumed changes in commission rates on the Company's loss for the year, based on the floating rate financial assets held a December 31, 2012.

The sensitivity of the statement of shareholders' operations to a decrease in commission rate of 10 basis points (reasonably possible changes), with all other variables held constant, will have an effect of decrease in profits by Saudi Riyal 0.17 million (2011: increase in loss by Saudi Riyal 0.14 million).

Foreign currency risk

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

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

23 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Categories of financial instruments

a) Insurance operations

	2012	2011
Financial assets		
Insurance premium receivables	62,065,879	57,259,911
Reinsurers' share of unearned premium	44,284,121	74,893,102
Reinsurers' share of outstanding claims	46,153,014	45,360,562
Accrued commission income	77,903	111,964
Due from affiliates	1,871,945	-
Cash and cash equivalents	81,786,405	137,715,642
	236,239,267	315,341,181
Financial liabilities		
Unearned premium	91,115,733	137,803,035
Outstanding claims	107,273,881	95,090,233
Unearned reinsurance commission	5,198,133	4,860,735
Reinsurance balances payable	8,197,770	52,450,505
Accrued expenses and other liabilities	27,238,932	23,190,066
	239,024,449	313,394,574

b) Shareholders' operations

	2012	2011
Financial assets		
Other financial assets	64,800,506	51,396,722
Accrued income	1,167,878	757,940
Short term deposits	26,475,994	40,000,000
Cash and cash equivalents	60,000,000	26,272,575
	152,444,378	118,427,237
Financial liabilities		
Accrued expenses and other liabilities	2,511,712	838,903
	2,511,712	838,903

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

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

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

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

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

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

As at December 31, 2012

	Level 1	Level 2	Level 3	Total fair value
Financial instruments				
Held to maturity				
Debt securities	-	6,500,000	-	6,500,000
Investments available for sale				
Equity securities	55,077,428	-	2,723,078	57,800,506
Advances				
Loan	-	-	500,000	500,000
Total	55,077,428	6,500,000	3,223,078	64,800,506

As at December 31, 2011

	Level 1	Level 2	Level 3	Total fair value
Financial instruments				
Held to maturity				
Debt securities	-	6,500,000	-	6,500,000
Investments available for sale				
Equity securities	41,623,644	-	2,723,078	44,346,722
Advances				
Loan	-	-	550,000	550,000
Total	41,623,644	6,500,000	3,273,078	51,396,722

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

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(All amounts in Saudi Riyals unless otherwise stated)

24. Earnings per share

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

Basic and diluted earnings per share from shareholders' comprehensive operations is calculated by dividing total comprehensive income for the year by weighted average number of ordinary shares outstanding during the year.

25. Contingencies

During 2011, one of the Company's agents filed a law suit of Saudi Riyal 74.7 million against the Company towards unsubstantiated amounts and damages as a result of alleged breach of agreement. Management, after seeking legal opinion believes that the outcome of this case in plaintiff's favour is remote as there is no valid base for this case, accordingly no provision has been made.

26. Comparative figures

Certain of the comparative year amounts have been reclassified to conform to the presentation in the current year.

27. Approval of the financial statements

The financial statements have been approved by the Board of Directors on February 18, 2013.

SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2011

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI UNITED COOPERATIVE INSURANCE COMPANY (WALA'A)
(A SAUDI JOINTSTOCK COMPANY)**

SCOPE OF AUDIT:

We have audited the accompanying statement of financial position of Saudi United Cooperative Insurance Company (Wala'a) - A Saudi Joint Stock Company ("the Company") as at 31 December 2011 and the related statements of insurance operations, shareholders' operations, shareholders' comprehensive operations, changes in shareholders' equity, insurance operations' cash flows and 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 the provisions of Article 123 of the 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 our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

UNQUALIFIED OPINION:

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

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

EMPHASIS OF MATTER:

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

Deloitte & Touche
Bakr Abulkhair & Co.



Nasser M. Al-Sagga
Certified Public Accountant
Registration No. 322

22 Rabi' I, 1433H
14 February 2012

Ernst & Young



Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

		2011	2010
Note		SR	SR
INSURANCE OPERATIONS' ASSETS			
Property and equipment	6	2,314,729	2,542,317
Insurance receivables	7	57,259,911	55,495,567
Reinsurance share of unearned premiums	8 & 10	74,893,102	30,923,630
Reinsurance share of outstanding claims	9 & 10	21,728,617	18,393,512
Deferred policy acquisition costs		13,759,195	13,545,531
Due from shareholders' operations		-	2,588,600
Accrued interest income		111,964	17,422
Prepaid expenses and other assets		4,880,604	2,896,405
Cash and cash equivalents	12	137,715,642	86,240,115
TOTAL INSURANCE OPERATIONS' ASSETS		312,663,764	212,643,099
SHAREHOLDERS' ASSETS			
Statutory deposit	13	20,000,000	20,000,000
Other financial assets	14	51,396,722	49,692,750
Short term deposit	15	40,000,000	40,000,000
Accrued interest income		757,940	674,388
Due from insurance operations		20,808,921	-
Cash and cash equivalents	12	26,272,575	46,085,399
TOTAL SHAREHOLDERS' ASSETS		159,236,158	156,452,537
TOTAL ASSETS		471,899,922	369,095,636

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2011

	2011	2010
Note	SR	SR
INSURANCE OPERATIONS' LIABILITIES		
Liabilities arising from insurance contracts:		
Unearned premiums 8	137,803,035	104,454,642
Outstanding claims 9	71,458,288	58,049,270
Total liabilities arising from insurance contracts	209,261,323	162,503,912
End-of-service indemnities 16	1,490,883	1,274,310
Reinsurance payables 17	67,465,291	34,720,425
Unearned reinsurance commission	4,860,735	6,735,429
Accrued expenses and other liabilities 18	8,175,280	7,409,023
Due to shareholders' operations	20,808,921	-
Share of surplus	601,331	-
TOTAL INSURANCE OPERATIONS' LIABILITIES	312,663,764	212,643,099
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Accrued expenses and other liabilities 18	4,750,569	3,735,790
Due to insurance operations	-	2,588,600
TOTAL SHAREHOLDERS' LIABILITIES	4,750,569	6,324,390
SHAREHOLDERS' EQUITY:		
Share capital 19	200,000,000	200,000,000
Accumulated losses	(52,138,055)	(54,841,525)
Revaluation reserve	6,623,644	4,969,672
TOTAL SHAREHOLDERS' EQUITY	154,485,589	150,128,147
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY	159,236,158	156,452,537
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	471,899,922	369,095,636

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
		SR	SR
REVENUES			
Gross written premium	21&11	278,560,419	219,997,528
Reinsurance ceded premiums	21&11	(124,749,911)	(67,873,528)
Net written premiums		153,810,508	152,124,000
Changes in unearned premiums		10,621,079	(33,512,086)
Net earned premiums	21	164,431,587	118,611,914
Reinsurance commission		15,194,949	14,504,417
Other underwriting income		310,286	77,276
TOTAL REVENUES		179,936,822	133,193,607
UNDERWRITING COSTS AND EXPENSES			
Gross paid claims	9	116,107,416	96,825,253
Reinsurance share of claims paid	9	(24,905,939)	(32,282,855)
Net paid claims		91,201,477	64,542,398
Changes in outstanding claims	9	10,073,913	11,857,859
Net incurred claims	9	101,275,390	76,400,257
Policy acquisition costs		27,041,372	20,581,859
Excess of loss expenses		5,993,864	4,601,326
Other expenses		3,767,318	3,095,419
TOTAL UNDERWRITING COSTS AND EXPENSES		138,077,944	104,678,861
Net underwriting income		41,858,878	28,514,746
OPERATING EXPENSES			
Operating and administrative salaries		(21,176,141)	(23,550,299)
General and administrative expenses	23	(15,082,190)	(11,487,338)
Commission income from bank deposits		412,768	243,754
TOTAL OPERATING EXPENSES, NET		(35,845,563)	(34,793,883)
Net surplus/ (deficit) from insurance operations		6,013,315	(6,279,137)
Insurance operations (surplus)/ deficit transferred to shareholders' operations		(5,411,984)	6,279,137
NET SURPLUS FROM INSURANCE OPERATIONS		601,331	-

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' OPERATIONS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
		SR	SR
Net surplus/ (deficit) transferred from insurance operations		5,411,984	(6,279,137)
Commission income from bank deposits		601,176	783,015
Commission income on held to maturity investments		188,500	142,949
General and administrative expenses	23	(1,623,193)	(1,631,572)
Net income/ (loss) for the year		4,578,467	(6,984,745)
Earnings/ (loss) per share	27	0.23	(0.35)
Weighted average number of outstanding shares		20,000,000	20,000,000

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

Saudi United Cooperative Insurance Company (Wala'a)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS' COMPREHENSIVE OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
		SR	SR
Net income/ (loss) for the year		4,578,467	(6,984,745)
Net unrealised gain on available for sale investments		1,653,972	4,840,381
Zakat and income tax	22	(1,874,997)	(1,925,176)
Total comprehensive income/ (loss) for the year		4,357,442	(4,069,540)
Earnings/ (loss) per share	27	0.22	(0.20)
Weighted average number of outstanding shares		20,000,000	20,000,000

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Accumulated losses	Revaluation reserve	Total
	SR	SR	SR	SR
Balance at 1 January 2010	200,000,000	(45,931,604)	129,291	154,197,687
Net loss for the year	-	(6,984,745)	-	(6,984,745)
Net unrealised gain on available for sale investments	-	-	4,840,381	4,840,381
Zakat and income tax	-	(1,925,176)	-	(1,925,176)
Balance at 31 December 2010	200,000,000	(54,841,525)	4,969,672	150,128,147
Balance at 1 January 2011	200,000,000	(54,841,525)	4,969,672	150,128,147
Net income for the year	-	4,578,467	-	4,578,467
Net unrealised gain on available for sale investments	-	-	1,653,972	1,653,972
Zakat and income tax	-	(1,874,997)	-	(1,874,997)
Balance at 31 December 2011	200,000,000	(52,138,055)	6,623,644	154,485,589

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF INSURANCE OPERATIONS' CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
Note	SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Netsurplus/(deficit) from insurance operations	6,013,315	(6,279,137)
Adjustments for:		
Depreciation	1,100,282	913,748
End of service indemnities, net	216,573	552,053
Loss on disposal of property and equipment	-	6,735
	7,330,170	(4,806,601)
Changes in operating assets and liabilities:		
Insurance receivables	(1,764,344)	(10,002,549)
Reinsurance share of unearned premiums	(43,969,472)	(517,334)
Reinsurance share of outstanding claims	(3,335,105)	6,724,084
Deferred policy acquisition costs	(213,664)	(7,339,725)
Accrued interest income	(94,542)	(17,422)
Prepaid expenses and other assets	(1,984,199)	(518,968)
Due from an affiliate	-	856,050
Reinsurance payables	32,744,866	(5,573,762)
Unearned premiums	33,348,393	34,029,420
Unearned reinsurance commission	(1,874,694)	4,177,189
Outstanding claims	13,409,018	5,133,775
Accrued expenses and other liabilities	766,257	5,433,560
Net cash from operating activities	34,362,684	27,577,717
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(872,694)	(1,069,442)
Proceeds from disposal of property and equipment	-	2,900
Net cash used in investing activities	(872,694)	(1,066,542)
CASH FLOW FROM FINANCING ACTIVITY		
Due from shareholders' operations	17,985,537	33,343,130
Net cash from financing activity	17,985,537	33,343,130
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,475,527	59,854,305
Cash and cash equivalents at the beginning of the year	86,240,115	26,385,810
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 12	137,715,642	86,240,115

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

Saudi United Cooperative Insurance Company (Wala'a)
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF SHAREHOLDERS' OPERATIONS' CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/ (loss) for the year	4,578,467	(6,984,745)
Adjustments for:		
Commission income	(601,176)	(783,015)
	3,977,291	(7,767,760)
Changes in operating assets and liabilities:		
Due to insurance operations	(23,397,521)	(27,063,993)
Accrued expenses and other liabilities	55,480	(4,125,332)
Cash used in operations	(19,364,750)	(38,957,085)
Zakat paid	(915,698)	(847,285)
Net cash used in operating activities	(20,280,448)	(39,804,370)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term deposit	-	25,000,000
Movement in other financial assets	(50,000)	(10,500,000)
Commission income received	517,624	948,090
Net cash from investing activities	467,624	15,448,090
DECREASE IN CASH AND CASH EQUIVALENTS	(19,812,824)	(24,356,280)
Cash and cash equivalents at the beginning of the year	46,085,399	70,441,679
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26,272,575	46,085,399
Non-cash transactions:		
- Net unrealised gain on available for sale investments	1,653,972	4,840,381

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 GENERAL

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

The purpose of the Company is to transact in cooperative insurance operations and all related activities.

The Company was granted the license (number TMN/16/2008) to practice general and medical insurance and re-insurance business from the Saudi Arabian Monetary Agency (SAMA) on 28 Jumada II 1429 H corresponding to 2 July 2008.

2 BASIS OF PREPARATION

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

Use of estimates in the preparation of financial statements

The financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Further details of the specific estimates and judgments made by management are given in the accounting policy notes below.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

Standard	Name of the standard	Effective date
IFRS 1:	Limited exemption from comparative IFRS 7 disclosures for first time adopters	1 July 2010
IAS 24:	Related party disclosure	1 January 2011
IAS 32:	Financial instruments	1 February 2010
IFRIC 14:	Prepayment of a Minimum Funding Requirement	1 January 2011
IFRIC 19:	Extinguishing financial liabilities with equity instruments	1 July 2010

Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Company. They did, however, give rise to additional disclosures in some occasions.

Improvements to IFRSs

In May 2010 IASB issued its annual amendments to International Financial Reporting Standards (IFRSs) and the related Basis for Conclusions and guidance made. The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project. The amendments primarily deal with a view to remove inconsistencies and clarify wording. The Company has adopted the following amendments to standards as they come to effect for the reporting period beginning on 1 January 2011:

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Improvements to IFRSs (continued)

Standard	Name of the standard	Effective date
IFRS 7:	Clarification of Disclosures	1 July 2011

Amendments to other standards do not have any material impact to the financial statements of the Company.

Listed below are standards and interpretations that have been issued, but not yet effective as of 1 January 2011:

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt the standards when they become effective.

Standard	Name of the standard	Effective date
Amenments to IAS 19:	Employee Benefits	1 January 2013
Amenments to IAS 1:	Presentation of Financial Statements	1 July 2012
IFRS 9:	Financial Instruments- Classification and measurement	1 January 2013
IFRS 12:	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13:	Fair Value Measurement	1 January 2013

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

Functional currency

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

Revenue recognition

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis using the 1/365 method except for marine insurance which is calculated based on last nine months premium. Unearned premiums represent the portion of premiums written relating to the unexpired period of insurance coverage. The change in the provision for unearned premiums is taken to the "statement of insurance operations", over the period of risk.

Retained premiums and commission income in the current period, which relates to unexpired risks beyond the end of the financial period, are reported as unearned based on mechanism identified above.

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Basis of presentation

The Company maintains separate books of account for the insurance operations and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by the management and approved by the Board of Directors.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks and highly liquid investments with original maturities of three months or less that are readily convertible to corresponding amounts of cash and which are subject to insignificant risk of changes in value. At 31 December 2011, cash and cash equivalents consist entirely of cash in hand, bank balances and term deposits.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Claims

Claims, comprising amounts payable to policy holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of insurance operations as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the statement of financial position date.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition a provision based on actuarial valuation is maintained for the cost of settling claims incurred but not reported (IBNR) at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the statement of insurance operations for that year.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Policy acquisition costs

Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of insurance contracts are deferred. Deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

The 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 recognised 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.

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.

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Liability adequacy test

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

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

Reinsurance

In the ordinary course of business, the Company cedes insurance premium 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 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinsurance (continued)

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

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of insurance and/or shareholders' operations.

Provisions for obligations

Provisions are recognised 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.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash- generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash- generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash- generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash- generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash- generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Employees' end-of-service indemnities

Employees' end-of-service indemnities are accrued currently and are payable as a lump sum to all employees under the terms and conditions of Saudi Arabian Labour Regulations on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee be terminated at the balance sheet date. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stipulated by the Saudi Arabian Labour Regulations.

Receivables

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

Premiums receivable represents premiums written for policies issued on credit, which are outstanding at the reporting date, less an allowance for amounts estimated to be uncollectable.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment and uncollectibility of financial assets

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

For assets carried at fair value, impairment is the difference between the cost and fair value.

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

For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective commission rate.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Zakat and income tax

The Company is subject to zakat and income tax on behalf of the Saudi and foreign shareholders, respectively, in accordance with the regulations of the Department of Zakat and Income Tax. Zakat and income tax is accrued and charged to the statement of changes in shareholders' equity. The zakat charge is computed on the Saudi shareholders'/GCC Nationals' share of the zakat base.

Income tax is computed on the foreign shareholder's share of adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has three reportable segments as follows:

Medical insurance provides coverage for health insurance.

Motor insurance provides coverage for vehicles' insurance.

Property insurance provides coverage for property insurance.

General insurance provides coverage for engineering, fire, marine and other general insurance.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements.

No inter-segment transactions occurred during the period. If any transaction was to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

Product classification

Insurance contract

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

Investment contracts

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

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product classification (continued)

Investment contracts (continued)

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

Investments and other financial assets

Financial assets

Financial assets are classified as either investments at fair value through statement of operations, investments available for sale or investments held to maturity or loans and advances, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through statement of income, directly attributable transaction costs.

The Company determines that classification of its investments upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Investments available for sale

After initial recognition investments available for sale are measured at fair value with gains and losses being recognised in the statement of shareholders' comprehensive operations until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in equity is recognised in the statement of shareholders' operations. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Investments held to maturity

Investments held to maturity are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has the positive intention and ability to hold to maturity. After initial measurement, held to maturity investments are measured at amortized cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the statement of shareholders' operations when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or cost that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of shareholders' operations. The losses arising from impairment are recognised in the statement of shareholders' operations in finance costs.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Financial liabilities

Financial liabilities, insurance, reinsurance payable and other payables are recognised initially at fair value.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- a) The rights to receive cash flows from the asset have expired;
- b) The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- c) The Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

Financial liabilities, insurance, reinsurance payable and other payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of insurance operations.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Fair values

Fair values of commission bearing items are estimated based on discounted cash flows using commission for instruments with similar terms and risk characteristics.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods when risks and rewards associated with such goods are transferred to the Company or when services are received, whether or not billed to the Company.

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 recognised 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 and shareholder's operations unless required or permitted by an accounting standard or interpretation.

Leases

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

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's 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.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

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

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the reporting date, for which the insured event has occurred prior to the reporting date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is based on actuarial valuation.

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 a quarterly basis.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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.

Policy acquisition costs

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs and are amortized in the statement of insurance operations over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of insurance operations.

6 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

a) Insurance operations

	Computer equipment & software	Furniture, fixture & office equipment	Vehicles	Total 2011
	SR	SR	SR	SR
Cost:				
1 January 2011	2,260,705	2,070,172	155,350	4,486,227
Additions	293,357	559,337	20,000	872,694
At 31 December 2011	2,554,062	2,629,509	175,350	5,358,921
Depreciation:				
1 January 2011	976,588	907,118	60,204	1,943,910
Charge for the year	583,339	475,515	41,428	1,100,282
At 31 December 2011	1,559,927	1,382,633	101,632	3,044,192
Net book value:				
31 December 2011	994,135	1,246,876	73,718	2,314,729
Cost:				
1 January 2010	1,584,457	1,788,431	67,350	3,440,238
Additions	676,248	305,194	88,000	1,069,442
Disposals	-	(23,453)	-	(23,453)
At 31 December 2010	2,260,705	2,070,172	155,350	4,486,227
Depreciation:				
1 January 2010	484,695	536,773	22,512	1,043,980
Charge for the year	491,893	384,163	37,692	913,748
Disposals	-	(13,818)	-	(13,818)
At 31 December 2010	976,588	907,118	60,204	1,943,910
Net book value:				
At 31 December 2010	1,284,117	1,163,054	95,146	2,542,317

6 PROPERTY AND EQUIPMENT (Continued)

b) Shareholders' operations

During the year, there were no property and equipment in shareholders' operations (2010: same).

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

7 INSURANCE RECEIVABLES

	2011	2010
	SR	SR
Premiums receivable	66,242,999	54,230,193
Insurance and reinsurance companies	1,135,052	4,246,786
Allowance for doubtful debts	(10,118,140)	(2,981,412)
	57,259,911	55,495,567

All of the above amounts are due within twelve months of the reporting date. Amounts due from reinsurers are normally settled on a quarterly basis.

Movement in allowance for doubtful debts was as follows:

	2011	2010
	SR	SR
At the beginning of the year	2,981,412	1,000,000
Provided during the year (note 23)	7,136,728	1,981,412
At the end of the year	10,118,140	2,981,412

7 INSURANCE RECEIVABLES (Continued)

At 31 December 2011, the aging of receivables arising from insurance and reinsurance contracts is as follows (amounts in Saudi Riyals):

Insurance Premium receivable:

Past due but not impaired

	Total	Neither impaired nor past due	30 days	31-60 days	61-120 days	121 - 180 days	181 - 360 days	More than 360 days
2011	66,242,999	12,495,446	13,056,958	14,550,865	10,625,448	5,299,555	6,900,090	3,314,637
2010	54,230,193	15,094,521	6,537,272	9,354,748	10,652,146	7,266,650	4,204,452	1,120,404

Insurance and reinsurance receivable:

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Past due but not impaired

	Total	Neither impaired nor past due	30 days	31-60 days	61-120 days	121 - 180 days	181 - 360 days	More than 360 days
2011	1,135,052	-	-	-	156,023	97,720	503,265	378,044
2010	4,246,786	-	276,193	802,723	339,157	215,746	2,282,330	330,637

Unimpaired receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables.

8	UNEARNED PREMIUMS		
		2011	2010
		SR	SR
Unearned premiums		137,803,035	104,454,642
Reinsurers' share of unearned premiums		(74,893,102)	(30,923,630)
		62,909,933	73,531,012

9 MOVEMENT IN INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

2011 2010

	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	SR	SR	SR	SR	SR	SR
Claims:						
At the beginning of the year	(58,049,270)	18,393,512	(39,655,758)	(52,915,495)	25,117,596	(27,797,899)
Insurance claims settled during the year	116,107,416	(24,905,939)	91,201,477	96,825,253	(32,282,855)	64,542,398
Outstanding claims at the end of the year	71,458,288	(21,728,617)	49,729,671	58,049,270	(18,393,512)	39,655,758
Claims incurred	129,516,434	(28,241,044)	101,275,390	101,959,028	(25,558,771)	76,400,257
Analysis of outstanding claims:						
At 31 December:						
At the beginning of the year	(58,049,270)	18,393,512	(39,655,758)	(52,915,495)	25,117,596	(27,797,899)
Reported claims	46,500,443	(21,728,617)	24,771,826	36,370,064	(18,393,512)	17,976,552
Claims incurred but not reported	24,957,845	-	24,957,845	21,679,206	-	21,679,206
Changes in outstanding claims	13,409,018	(3,335,105)	10,073,913	5,133,775	6,724,084	11,857,859

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

10 REINSURANCE CONTRACT ASSETS AND INSURANCE CONTRACT LIABILITIES

	Medical	Motor	Property	Others	Total
	SR	SR	SR	SR	SR
As at 31 December 2011					
Gross:					
Insurance contract liabilities					
Claims reported unsettled	4,600,255	13,762,704	8,988,657	19,148,827	46,500,443
Claims incurred but not reported	4,232,340	14,829,347	801,068	5,095,090	24,957,845
Unearned premiums	66,056,780	20,927,627	7,757,742	43,060,886	137,803,035
Total insurance contract liabilities	74,889,375	49,519,678	17,547,467	67,304,803	209,261,323
Recoverable from reinsurers					
Outstanding claims	2,302,188	359,046	7,623,306	11,444,077	21,728,617
Unearned premiums	32,500,263	-	7,739,543	34,653,296	74,893,102
Total reinsurers' share of insurance liabilities	34,802,451	359,046	15,362,849	46,097,373	96,621,719
Net:					
Outstanding claims	2,298,067	13,403,658	1,365,351	7,704,750	24,771,826
Claims incurred but not reported	4,232,340	14,829,347	801,068	5,095,090	24,957,845
Unearned premiums	33,556,517	20,927,627	18,199	8,407,590	62,909,933
	40,086,924	49,160,632	2,184,618	21,207,430	112,639,604

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Medical	Motor	Property	Others	Total
	SR	SR	SR	SR	SR
As at 31 December 2010					
Gross:					
Insurance contract liabilities					
Claims reported unsettled	1,048,446	12,283,568	11,294,694	11,743,356	36,370,064
Claims incurred but not reported	3,994,368	12,641,809	978,914	4,064,115	21,679,206
Unearned premium	16,858,842	57,148,268	6,187,000	24,260,532	104,454,642
Total insurance contract liabilities	21,901,656	82,073,645	18,460,608	40,068,003	162,503,912
Recoverable from reinsurers					
Outstanding claims	776,516	344,582	9,054,384	8,218,030	18,393,512
Unearned premium	7,948,180	-	6,062,132	16,913,318	30,923,630
Total reinsurers' share of insurance liabilities	8,724,696	344,582	15,116,516	25,131,348	49,317,142
Net:					
Outstanding claims	271,930	11,938,986	2,240,310	3,525,326	17,976,552
Claims incurred but not reported	3,994,368	12,641,809	978,914	4,064,115	21,679,206
Unearned premium	8,910,662	57,148,268	124,868	7,347,214	73,531,012
	13,176,960	81,729,063	3,344,092	14,936,655	113,186,770

11 RELATED PARTY TRANSACTIONS AND BALANCES

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

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year.

		Sales of insurance contracts	Amounts owed by related parties	Amounts owed to related parties
		SR	SR	SR
Directors & related parties	2011/2010	2,972,976,868,799	146,753,315,232	46,770,314,149
Key management personnel	2011/2010	4,089-	--	--
Due from/to an affiliate	2011/2010	--	470,358-	-2,963,439

Transactions with related parties are made at normal market prices. When market prices cannot be determined book values are used. Outstanding balances at year end are unsecured and settlement occurs as per payment terms. There have been no guarantees provided or received for any related party receivables.

For the years ended 31 December 2011 and 2010, the Company has not raised any allowance for doubtful debts relating to amount owed by related parties as management is confident regarding recoverability of relevant balances.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Compensation of key management personnel of the Company:

	2011	2010
	SR	SR
Short term benefits	2,375,161	3,921,844
Employees' end of service indemnity	327,206	389,002
	2,702,367	4,310,846

12 CASH AND CASH EQUIVALENTS

	2011	2010
	SR	SR
a) Insurance operations:		
Cash on hand	34,883	31,987
Cash at banks	37,616,759	20,764,739
Short term deposits	100,064,000	65,443,389
Cash and cash equivalents	137,715,642	86,240,115

12 CASH AND CASH EQUIVALENTS (Continued)

	2011	2010
	SR	SR
b) Shareholders' operations:		
Cash at banks	839,063	834,098
Short term deposit	25,433,512	45,251,301
Cash and cash equivalents	26,272,575	46,085,399

Bank accounts are placed with counterparties who have investment grade rating.

13 STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid up share capital which is maintained in accordance with the implementing guidelines on the Law on Supervision of Co-operative Insurance Companies. This statutory deposit can not be withdrawn without the consent of SAMA.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

14 OTHER FINANCIAL ASSETS

The Company's other financial assets are summarized by categories as follows:

	2011	2010
	SR	SR
Held-to-maturity	6,500,000	6,500,000
Available-for-sale (in quoted securities)	42,423,644	40,769,672
Advances towards investments	2,473,078	2,423,078
	51,396,722	49,692,750

The following table compares fair values of financial assets identified above to their carrying values:

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
	SR	SR	SR	SR
Held-to-maturity	6,500,000	6,500,000	6,500,000	6,500,000
Available-for-sale (in quoted securities)	42,423,644	42,423,644	40,769,672	40,769,672
Advances towards investments	2,473,078	2,473,078	2,423,078	2,423,078
	51,396,722	51,396,722	49,692,750	49,692,750

14 OTHER FINANCIAL ASSETS (Continued)

a) Held-to-maturity

	2011	2010
	SR	SR
Fair value		
Debt securities	6,500,000	6,500,000
Amortised cost		
Debt securities	6,500,000	6,500,000

b) Available-for-sale

	2011	2010
	SR	SR
Equity securities	42,423,644	40,769,672

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

c) Advances towards investments

	2011	2010
	SR	SR
Advances towards investments	1,923,078	1,923,078
Loans and receivable	550,000	500,000
	2,473,078	2,423,078

Investment held to maturity represents fixed rate bonds that are traded in an interbank market within Saudi Arabia and values are determined according to such market, when available, or through an appropriate pricing model. These fixed rate bonds are with a maturity period of 10 years (callable after 5 years- December 2014). Management believes that fair value of these investments approximates the carrying value.

Available for sale represents investments in quoted securities in domestic market. Information for this managed fund is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its investment in managed fund to assess whether impairment has occurred in the value of its investment and based on specific information available in respect of this fund and its operations, management is of the view that investment in the managed fund has not suffered any impairment.

Advances towards investments represents amounts paid against the percentage of proposed/issued capital for companies which are either newly formed or are currently under development. For companies under formation stage, these advances will be settled against the Company's share in these companies whenever the legal formalities of establishing them will be completed.

15 SHORT TERM DEPOSITS

The time deposits which are denominated in Saudi Riyals, are made for varying periods between 3 months and 12 months depending on the cash requirements of the Company, and earn interest at an effective commission rate of 0.83% at 31 December 2011 (31 December 2010: 0.77%). Short term deposits are placed with counterparties who have investment grade rating.

16 END OF SERVICE INDEMNITIES

a) Insurance operations:

	2011	2010
	SR	SR
January 1,	1,274,310	722,257
Provision for the year	726,923	744,283
Utilization of provision	(510,350)	(192,230)
December 31,	1,490,883	1,274,310

b) Shareholders' operations:

During the year, there were no end of service indemnities in the shareholders' operations (2010: same).

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

17 REINSURANCE PAYABLE

	2011	2010
	SR	SR
Reinsurance companies	52,450,505	30,085,902
Other payables	15,014,786	4,634,523
	67,465,291	34,720,425

18 ACCRUED EXPENSES AND OTHER LIABILITIES

a) Insurance operations:		
	2011	2010
	SR	SR
Accrued expenses	7,902,311	4,345,584
Other payables	-	100,000
Due to an affiliate	272,969	2,963,439
	8,175,280	7,409,023

b) Shareholders' operations:		
	2011	2010
	SR	SR
Accrued expenses	229,000	300,000
Zakat	3,911,666	2,952,367
Other payables	609,903	483,423
	4,750,569	3,735,790

19 SHARE CAPITAL

The authorized, issued and paid up share capital of the Company is SR 200 million at the year end consisting of 20 million shares of SR 10 each.

20 STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the Articles of Association of the Company, the Company shall allocate 20% of the shareholders' income each year until the reserve equals 100% of the paid capital. In view of the accumulated losses, no such transfer has been made for the years ended 31 December 2011 and 2010.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

21 NET EARNED PREMIUMS

	2011	2010
	SR	SR
Gross written premiums	278,560,419	219,997,528
Movement in provision for unearned premiums	(33,348,393)	(34,029,420)
Gross insurance premium revenue	245,212,026	185,968,108
Reinsurance premium ceded	124,749,911	67,873,528
Movement in provision for reinsurance share of unearned premiums	(43,969,472)	(517,334)
Gross insurance premiums ceded to reinsurers	80,780,439	67,356,194
Net earned premiums	164,431,587	118,611,914

22 ZAKAT AND INCOME TAX

ZAKAT

Charge for the year

The zakat charge consists of:

	2011	2010
	SR	SR
Current year provision and charge for the year	1,671,825	1,925,176

Current provision is based on the following:

	2011	2010
	SR	SR
Equity	150,128,147	154,197,687
Non current liabilities	1,490,883	1,274,310
Non current assets	(71,287,807)	(65,235,067)
Zakat base	80,331,223	90,236,930

The differences between the financial and the zakatable results are mainly due to adjustments for certain disallowances/ claims based on the relevant fiscal regulations.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

22 ZAKAT AND INCOME TAX (Continued)

Movements in provision during the year

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

	2011	2010
	SR	SR
At the beginning of the year	2,952,367	1,874,476
Provided during the year	1,671,825	1,925,176
Payments during the year	(915,698)	(847,285)
At the end of the year	3,708,494	2,952,367

INCOME TAX

Charge for the year

Income tax charge consists of:

	2011	2010
	SR	SR
Current year provision and charge for the year	203,172	-

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

	2011	2010
	SR	SR
Provided during the year	203,172	-
At the end of the year	203,172	-

Status of assessments

The Company has submitted its zakat and income tax returns upto the year ended 31 December 2010 and settled zakat and income tax as per return and obtained the required certificate from the Department of Zakat and Income Tax.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

23 GENERAL AND ADMINISTRATION EXPENSES

a) Insurance operations:

	2011	2010
	SR	SR
Doubtful debts	7,136,728	1,981,412
Legal and professional fees	2,056,868	2,862,050
Rent expenses	1,358,509	960,193
Depreciation	1,100,282	913,748
Office supplies	879,318	602,497
Utilities	860,104	878,294
Marketing, advertising and promotion	367,123	150,470
Withholding tax	366,698	1,684,906
Training and education	215,264	431,695
IT expenses	190,876	218,188
Other expenses	550,420	803,885
	15,082,190	11,487,338

b) Shareholders' operations:

	2011	2010
	SR	SR
Employee costs	1,200,000	1,200,000
Other expenses	423,193	431,572
	1,623,193	1,631,572

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

24 SEGMENTAL REPORTING

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

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

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

	Medical	Motor	Property	Others	Total
	SR	SR	SR	SR	SR
Operating segments					
For the year ended 31 December 2011					
Gross written premium	98,541,201	63,415,029	28,452,127	88,152,062	278,560,419
Net written premium	53,610,787	62,292,907	3,030,819	34,875,995	153,810,508
Net earned premium	28,964,930	98,936,609	2,839,050	33,690,998	164,431,587
Reinsurance commission	4,372,817	224,119	5,482,742	5,115,271	15,194,949
Other underwriting income	9,871	255,648	8,590	36,177	310,286
Net incurred claims	(11,950,289)	(76,912,470)	(1,388,578)	(11,024,053)	(101,275,390)
Other underwriting expenses	(4,726,700)	(19,140,017)	(4,024,954)	(8,910,883)	(36,802,554)
Net underwriting income	16,670,629	3,363,889	2,916,850	18,907,510	41,858,878
Other general and administrative expenses (unallocated)					(36,258,331)
Net surplus from insurance operations					5,600,547
Commission income from bank deposits					412,768
Surplus from insurance operations					6,013,315

Saudi United Cooperative Insurance Company (Wala'a)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

24 SEGMENTAL REPORTING (Continued)

	Medical	Motor	Property	Others	Total
	SR	SR	SR	SR	SR

As at 31 December 2011

Insurance operations' assets

Reinsurance share of unearned premiums	32,500,262	-	7,739,543	34,653,297	74,893,102
Reinsurance share of outstanding claims	2,302,186	359,046	7,623,306	11,444,079	21,728,617
Deferred policy acquisition cost	7,683,171	1,853,365	1,200,145	3,022,514	13,759,195
Unallocated assets	-	-	-	-	202,282,850
Total assets	42,485,619	2,212,411	16,562,994	49,119,890	312,663,764

Insurance operations' liabilities

Unearned premiums	66,056,780	20,927,627	7,757,742	43,060,886	137,803,035
Outstanding claims	8,832,595	28,592,051	9,789,725	24,243,917	71,458,288
Unearned reinsurance commission	219,998	-	1,921,218	2,719,519	4,860,735
Unallocated liabilities	-	-	-	-	98,541,706
Total liabilities	75,109,373	49,519,678	19,468,685	70,024,322	312,663,764

	Medical	Motor	Property	Others	Total
	SR	SR	SR	SR	SR

Operating segments

For the year ended 31 December 2010

Gross written premium	36,493,256	113,818,388	21,583,700	48,102,184	219,997,528
Net written premium	19,169,280	112,592,826	1,548,784	18,813,110	152,124,000
Net premium earned	17,302,808	81,713,172	1,724,461	17,871,473	118,611,914
Reinsurance commission	2,899,903	245,110	5,650,173	5,709,231	14,504,417
Other underwriting income	12,440	25,623	6,115	33,098	77,276
Net claims incurred	(11,492,839)	(58,452,009)	(854,467)	(5,600,942)	(76,400,257)
Other underwriting expenses	(4,522,511)	(14,662,047)	(2,765,967)	(6,328,079)	(28,278,604)
Net underwriting income	4,199,801	8,869,849	3,760,315	11,684,781	28,514,746
Other general and administrative expenses (unallocated)					(35,037,637)
Deficit from insurance operations					(6,522,891)
Commission income from bank deposit					243,754
Net deficit from insurance operations					(6,279,137)

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

24 SEGMENTAL REPORTING (Continued)

	Medical	Motor	Property	Others	Total
	SR	SR	SR	SR	SR

As at 31 December 2010

Insurance operations' assets					
Reinsurers' share of unearned premiums	7,948,180	-	6,062,132	16,913,318	30,923,630
Reinsurers' share of outstanding claims	776,516	344,582	9,054,384	8,218,030	18,393,512
Deferred policy acquisition cost	1,247,931	8,082,888	901,360	3,313,352	13,545,531
Unallocated assets	-	-	-	-	149,780,426
Total assets	9,972,627	8,427,470	16,017,876	28,444,700	212,643,099
Insurance operations' liabilities					
Unearned premiums	16,858,842	57,148,268	6,187,000	24,260,532	104,454,642
Outstanding claims	5,042,814	24,925,377	12,273,608	15,807,471	58,049,270
Unearned reinsurance commission	2,313,892	-	1,648,218	2,773,319	6,735,429
Unallocated liabilities	-	-	-	-	43,403,758
Total liabilities	24,215,548	82,073,645	20,108,826	42,841,322	212,643,099

Geographical segments

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Categories of financial instruments

a) Insurance operations:

	2011	2010
	SR	SR
Financial assets		
Insurance premium receivables	57,259,911	55,495,567
Reinsurance contract assets	96,621,719	49,317,142
Accrued interest income	111,964	17,422
Cash and cash equivalents	137,715,642	86,240,115
	291,709,236	191,070,246
Financial liabilities		
Insurance contract liabilities	214,122,058	169,239,341
Reinsurance payable	67,465,291	34,720,425
Accrued expenses and other liabilities	8,175,280	7,409,023
	289,762,629	211,368,789

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

b) Shareholders' operations:

	2011	2010
	SR	SR
Financial assets		
Other financial assets	51,396,722	49,692,750
Accrued income	757,940	674,388
Short term deposits	40,000,000	40,000,000
Cash and cash equivalents	26,272,575	46,085,399
	118,427,237	136,452,537
Financial liabilities		
Accrued expenses and other liabilities	838,903	783,423
	838,903	783,423

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

Saudi United Cooperative Insurance Company (Wala'a)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

The fair values of financial instruments are carried at cost (note 14), are not materially different from their carrying values. The Company uses the following hierarchy for determining and disclosing the fair values of available for sale investments as well as advances by a valuation technique:

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

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

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

As at 31 December 2011

	Level 1	Level 2	Level 3	Total fair value
	SR	SR	SR	SR
Financial instruments:				
Held to maturity:				
Debt securities	-	6,500,000	-	6,500,000
Investments available for sale:				
Equity securities	41,623,644	-	800,000	42,423,644
Advances towards investments:				
Advances towards investments	-	-	1,923,078	1,923,078
Loan	-	-	550,000	550,000
Total	41,623,644	6,500,000	3,273,078	51,396,722

25 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2010

	Level 1	Level 2	Level 3	Total fair value
	SR	SR	SR	SR
Financial instruments:				
Held to maturity:				
Debt securities	-	6,500,000	-	6,500,000
Investments available for sale:				
Equity securities	39,969,672	-	800,000	40,769,672
Loans and advances:				
Advances towards investments	-	-	1,923,078	1,923,078
Loan	-	-	500,000	500,000
Total	39,969,672	6,500,000	3,223,078	49,692,750

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26 RISK MANAGEMENT

This note sets out the major risks our business faces and describes our approach to managing these. It also gives sensitivity analysis around the major economic and non-economic assumptions that can cause volatility in our earnings and capital requirements.

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

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

- Financial risks cover credit risk, liquidity risk, commission rate risk, insurance risk and capital management.
- Strategic risks include issues such as customer, brand, products and markets as well as any risks to our business model arising from changes in our market and risks arising from mergers and acquisitions.
- Operational risks arise inadequate or failed internal processes, or from people and systems or from external events. Operational risks include business protection, information technology, people, legal and regulatory compliance.

The risk management framework provides the means to identify, assess, mitigate, manage, monitor and report all of the different types of risks faced by the Company to provide a single picture of the threats and uncertainties faced and opportunities that exist. Responsibility for risk management resides at all levels within the Company with appropriate risk related objectives embedded within performance measurement plans.

The Company recognizes the critical importance of maintaining an efficient and effective risk management framework. To this end, The Company has an established governance framework, which has the following key elements:

- Defined terms of reference for the Board, its committees, and the associated executive management committees.
- A clear organizational structure with documented delegated authorities and responsibilities from the Board to Board committees, executive team and senior management.

Financial risk

The Company's principal financial instruments are receivables arising from insurance and reinsurance contracts, cash and cash equivalents and advances for investments.

26 RISK MANAGEMENT (Continued)

Financial risk (continued)

The Company does not enter into derivative transactions.

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

Credit risk

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables. Premiums receivable comprise a large number of brokers/customers mainly within Saudi Arabia of which the five largest brokers/customers account for 42% of the receivables as at 31 December 2011 (2010: 50%).

The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. Receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the company's exposure to bad debts

The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the board of directors.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties. Investment grade is considered to be the minimum possible rating issued by internationally recognised rating agencies that differentiates the investment grade vis-a-vis non-investment grade. Assets that fall outside the range of investment grade are classified as non investment grade (satisfactory) or past due but not impaired.

Insurance Operations assets as at 31 December 2011 Neither past due nor impaired

	Investment grade	Non investment grade (satisfactory)	Past due but not impaired	Total
	SR	SR	SR	SR
Receivables arising from insurance contracts	-	12,495,446	43,629,413	56,124,859
Receivables arising from re-insurance contracts	1,135,052	-	-	1,135,052
Reinsurers' share of unexpired risk	74,893,102	-	-	74,893,102
Reinsurers' share of outstanding claims	21,728,617	-	-	21,728,617
Cash and cash equivalents	137,680,758	34,884	-	137,715,642
Accrued interest income	-	111,964	-	111,964
	235,437,529	12,642,294	43,629,413	291,709,236

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26 RISK MANAGEMENT (Continued)

Financial risk (continued)

Credit risk (continued)

Insurance Operations assets as at 31 December 2010 Neither past due nor impaired

	Investment grade	Non investment grade (satisfactory)	Past due but not impaired	Total
	SR	SR	SR	SR
Receivables arising from insurance contracts	-	15,094,521	36,154,260	51,248,781
Receivables arising from re-insurance contracts	4,246,786	-	-	4,246,786
Reinsurers' share of unexpired risk	30,923,630	-	-	30,923,630
Reinsurers' share of outstanding claims	18,393,512	-	-	18,393,512
Cash and cash equivalents	86,208,128	31,987	-	86,240,115
Accrued interest income	-	17,422	-	17,422
Due from shareholders	2,588,600	-	-	2,588,600
	142,360,656	15,143,930	36,154,260	193,658,846

Shareholders' assets as at 31 December 2011 Neither past due nor impaired

	Investment grade	Non investment grade (satisfactory)	Past due but not impaired	Total
	SR	SR	SR	SR
Statutory deposit	20,000,000	-	-	20,000,000
Other financial assets	51,396,722	-	-	51,396,722
Short term deposits	40,000,000	-	-	40,000,000
Accrued interest income	757,940	-	-	757,940
Cash and cash equivalents	26,272,575	-	-	26,272,575
	138,427,237	-	-	138,427,237

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Shareholders' assets as at 31 December 2010 Neither past due nor impaired

	Investment grade	Non investment grade (satisfactory)	Past due but not impaired	Total
	SR	SR	SR	SR
Statutory deposit	20,000,000	-	-	20,000,000
Other financial assets	49,692,750	-	-	49,692,750
Short term deposits	40,000,000	-	-	40,000,000
Accrued income	674,388	-	-	674,388
Cash and cash equivalents	46,085,399	-	-	46,085,399
	156,452,537	-	-	156,452,537

26 RISK MANAGEMENT (Continued)

Financial risk (continued)

Liquidity risk

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

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

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

All financial liabilities are contractually payable within a year's time and are non-special commission bearing.

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

Saudi United Cooperative Insurance Company (Wala'a)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

As at 31 December 2011

	Less than 12 months	More than 12 months	Total
	SR	SR	SR
INSURANCE OPERATIONS FINANCIAL ASSETS			
Insurance premium receivable	57,259,911	-	57,259,911
Reinsurance contract assets	96,621,719	-	96,621,719
Accrued interest income	111,964	-	111,964
Cash and cash equivalents	137,715,642	-	137,715,642
TOTAL INSURANCE OPERATIONS FINANCIAL ASSETS	291,709,236	-	291,709,236
INSURANCE OPERATIONS FINANCIAL LIABILITIES			
Reinsurance payables	67,465,291	-	67,465,291
Accrued expenses and other liabilities	8,175,280	-	8,175,280
Insurance contract liabilities	214,122,058	-	214,122,058
TOTAL INSURANCE OPERATIONS FINANCIAL LIABILITIES	289,762,629	-	289,762,629

As at 31 December 2010

	Less than 12 months	More than 12 months	Total
	SR	SR	SR
INSURANCE OPERATIONS FINANCIAL ASSETS			
Insurance premium receivable	55,495,567	-	55,495,567
Reinsurance contract assets	62,862,673	-	62,862,673
Accrued interest income	17,422	-	17,422
Cash and cash equivalents	86,240,115	-	86,240,115
TOTAL INSURANCE OPERATIONS FINANCIAL ASSETS	204,615,777	-	204,615,777

26 RISK MANAGEMENT (Continued)

Financial risk (continued)

Liquidity risk (continued)

	Less than 12 months	More than 12 months	Total
	SR	SR	SR
INSURANCE OPERATIONS FINANCIAL LIABILITIES			
Reinsurance payables	34,720,425	-	34,720,425
Accrued expenses and other liabilities	7,409,023	-	7,409,023
Insurance contract liabilities	169,239,341	-	169,239,341
TOTAL INSURANCE OPERATIONS FINANCIAL LIABILITIES	211,368,789	-	211,368,789

Saudi United Cooperative Insurance Company (Wala'a)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

As at 31 December 2011

	Less than 12 months	More than 12 months	Total
	SR	SR	SR
SHAREHOLDERS' FINANCIAL ASSETS			
Statutory deposit	-	20,000,000	20,000,000
Accrued interest income	757,940	-	757,940
Short term deposits	40,000,000	-	40,000,000
Cash and cash equivalents	26,272,575	-	26,272,575
Other financial assets	44,896,722	6,500,000	51,396,722
TOTAL SHAREHOLDERS' FINANCIAL ASSETS	111,927,237	26,500,000	138,427,237
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	838,903	-	838,903
TOTAL SHAREHOLDERS' FINANCIAL LIABILITIES	838,903	-	838,903

26 RISK MANAGEMENT (Continued)

Financial risk (continued)

Liquidity risk (continued)

As at 31 December 2010

	Less than 12 months	More than 12 months	Total
	SR	SR	SR
SHAREHOLDERS' FINANCIAL ASSETS			
Statutory deposit	-	20,000,000	20,000,000
Accrued interest income	674,388	-	674,388
Short term deposits	40,000,000	-	40,000,000
Cash and cash equivalents	46,085,399	-	46,085,399
Other financial assets	43,192,750	6,500,000	49,692,750
TOTAL SHAREHOLDERS' FINANCIAL ASSETS	129,952,537	26,500,000	156,452,537
SHAREHOLDERS' FINANCIAL LIABILITIES			
Accrued expenses and other liabilities	783,423	-	783,423
TOTAL SHAREHOLDERS' FINANCIAL LIABILITIES	783,423	-	783,423

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Market price risk

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

The Company limits market risk by maintaining a diversified portfolio and by monitoring developments in equity markets. The Company does not have any significant market risk.

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company is exposed to commission rate risk on certain of its cash and balances with banks. The Company limits commission rate risk by monitoring changes in commission rates in the currencies in which its cash and investments are denominated. The effective commission rate at the year end was 0.83% (2010: 0.77%).

All commission bearing financial instruments as at the year end have a maturity of less than 1 year except for bond investment held to maturity.

The sensitivity of the statement of the shareholders' operations is the approximate effect of the assumed changes in commission rates on the Company's loss for the year, based on the floating rate financial assets held at 31 December 2011.

26 RISK MANAGEMENT (Continued)

Financial risk (continued)

Commission rate risk (continued)

The sensitivity of the statement of shareholders' operations to a decrease in commission rate of 10 basis points (reasonably possible changes), with all other variables held constant, will have an effect of decrease in profits by SR 0.14 million (2010: increase in loss by SR 0.15 million).

Foreign currency risk

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

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Insurance risk

Insurance risk is the risk that actual claims payable to policy holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Insurance risk in the Company arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations.
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten.
- Inadequate reinsurance protection.
- Inadequate reserve.

The Company only underwrites insurance business of a short tail nature such as motor, medical, property and others which includes engineering, casualty cover, fire, accident, marine cargo risks. The Company underwriting strategy and appetite is agreed by the Board of Directors and communicated via specific policy statements and guidelines. The Company's insurance business is managed and priced at head office level.

Concentration of insurance contract liabilities by type of contract:	Gross	Reinsurers' share	Net
	SR	SR	SR
As at 31 December 2011			
Medical	74,889,378	(34,802,451)	40,086,927
Motor	49,519,678	(359,046)	49,160,632
Property	17,547,467	(15,362,849)	2,184,618
Others	67,304,800	(46,097,373)	21,207,427
Total	209,261,323	(96,621,719)	112,639,604
	Gross	Reinsurers' share	Net
	SR	SR	SR
As at 31 December 2010			
Medical	21,901,656	(8,724,696)	13,176,960
Motor	82,073,645	(344,582)	81,729,063
Property	18,460,608	(15,116,516)	3,344,092
Others	40,068,003	(25,131,348)	14,936,655
Total	162,503,912	(49,317,142)	113,186,770

26 RISK MANAGEMENT (Continued)

Management of insurance risks

Significant insurance risks will be reported through the Company risk management framework. The Company undertakes a quarterly review of their insurance risks of all lines of business, the output from which is a key input into the risk-based capital assessment.

The Executive Team monitors and develops the management of insurance risk in the insurance business, and assesses the aggregate risk exposure. It is responsible for the development, implementation, and review of the Company policies for underwriting, claims, reinsurance and reserving that operates within the Company risk management framework.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Insurance claims reserving

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

Frequency and amounts of claims

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

Reinsurance strategy

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

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

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The reinsurance is placed with providers who meet the Company's counterparty security requirements and deals with reinsurers approved by the board of directors. Currently, the Company principally reinsures in the panel of reinsurers headed by Hanover Re.

The largest five reinsurers account for 76% of the maximum credit exposure at 31 December 2011 (2010: 66%).

Medical

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

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

Motor

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

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

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

26 RISK MANAGEMENT (Continued)

Insurance risk (continued)

Motor (continued)

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

Property

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

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

These contracts are underwritten to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such exposure to limit losses for any individual claim upto SR 2 million.

Casualty

Casualty insurance primarily consists of risks taken for money, fidelity, workmen compensation, general public liability, engineering, etc and is designed to compensate contract holders for damage suffered to them or others, arising through accidents, thefts, etc. Substantially all of the casualty contracts relate to corporate customers. The Company has reinsurance cover to limit losses for any individual claim upto SR 1 million.

Marine cargo

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

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance cover to limit losses for any individual claim upto SR 2 million.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes changes to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year. Shareholders' equity comprises share capital and accumulated losses.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Strategic risk

We are exposed to a number of strategic risks. Our strategy needs to support our vision, purpose and objectives and be respective to both the external and internal environment, for example, changes in the competitive landscape, customer behaviour, regulatory changes and merger and acquisition opportunities. Strategic risk is explicitly considered throughout our strategic review and planning process. Developments are assessed during our quarterly performance management process where all aspects of our risk profile are considered.

We closely monitor regulatory, legal and fiscal developments as well as actively engaging with external bodies to share the benefit of our expertise in supporting responses to emerging risks to challenge developments that could be damaging to our business and the industry as a whole.

26 RISK MANAGEMENT (Continued)

Strategic risk (continued)

Operational risk

Operational risk is the risk of loss, arising from inadequate or failed internal processes, or from people and systems, or from external events. Operational risks include business protection, information technology, people, legal and regulatory compliance risks.

Operational risk management

We process a large number of transactions across diverse line of business products, and are highly dependent on the proper functioning of information technology and communications systems. We are partially reliant on the operational processing performance of our outsourced partners including certain servicing and IT functions. Significant resources are devoted to maintaining efficient and effective operations within our framework of corporate responsibility, policies and business ethics code.

Our businesses are primarily responsible for identifying and managing operational risks in line with minimum standards of control set out in our policies. Each operational risk is assessed by considering the potential impact and the probability of the event occurring. Impact assessments are considered against financial, operational and reputation criteria.

Business management teams must be satisfied that all material risks falling outside our risk appetite are being mitigated, monitored and reported to an appropriate level. Any risks with a high potential impact level are monitored centrally on a regular basis.

The Company Executive Team oversees aggregate operational risk exposure and reports to the Board. It makes recommendations on the risk appetite that the Company can work within for operational risk, assesses and monitors overall operational risk exposures, identifying any concentrations of operational risk and in particular verifies that mitigating action plans are implemented. The Executive Team focuses on specific areas of strategic and operational risk including customer, business protection, IT, People, legal and regulatory compliance.

Regulatory risk

The operations of the Company are subject to local regulatory requirements within the jurisdictions where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies and to enable them to meet unforeseen liabilities as these arise. The Company management and compliance officer ensures compliance with all regulatory requirements and timely initiate update for regulatory changes and enable the Company to remain in compliance with regulatory changes.

Saudi United Cooperative Insurance Company (Wala'a)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

27 EARNINGS/ (LOSS) PER SHARE

Earnings/ (loss) per share from shareholders' operations is calculated by dividing net income/ loss for the year by weighted average number of ordinary shares outstanding during the year.

Earnings/ (loss) per share from shareholders' comprehensive operations is calculated by dividing total comprehensive income/ (loss) for the year by weighted average number of ordinary shares outstanding during the year.

28 CONTINGENCIES

During 2010, one of the affiliate's shareholder filed a law suit of SR 40 million against the Company and three affiliate shareholders, claiming his share of goodwill as a result of run-off of affiliate's insurance business and the establishment of a new Company. Management believes that the outcome of this case in plaintiff favor is remote as there is no valid base for this case, accordingly no provision has been made.

During the year, one of the Company's agents filed a law suit of SR 74.7 million against the Company towards unsubstantiated amounts and alleged damages as a result of breach of agreement. Management believes that the outcome of this case in plaintiff favour is remote as there is no valid base for this case, accordingly no provision has been made.

29 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 22 Rabi' I 1433 H corresponding to 14 February 2012.

